



**CITY OF MENTOR
LAKE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

CITY OF MENTOR
LAKE COUNTY

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**CITY OF MENTOR
LAKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Direct Program:</i>			
Community Planning and Development			
Community Development Block Grants/Entitlement Grants	B-98-MC-39-0033	14.218	\$ 112
Community Development Block Grants/Entitlement Grants	B-99-MC-39-0033	14.218	11,442
Community Development Block Grants/Entitlement Grants	B-00-MC-39-0033	14.218	4,675
Community Development Block Grants/Entitlement Grants	B-01-MC-29-0033	14.218	10,841
Community Development Block Grants/Entitlement Grants	B-03-MC-39-0033	14.218	<u>219,852</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 246,922</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Programs:</i>			
Bureau of Justice Assistance			
Local Law Enforcement Block Grant Program	1998-LB-VX-3310	16.592	360
Local Law Enforcement Block Grant Program	2003-LB-BX-2502	16.592	<u>5,175</u>
			<u>5,535</u>
Bureau of Justice Assistance			
Federally Forfeited Property for State and Local Law Enforcement		16.XXX	<u>177,543</u>
<i>Passed Through the Ohio Office of Criminal Justice Services</i>			
Office of Justice Programs			
VOCA Victims Assistance Grant	2002VAGENE679	16.575	1,122
VOCA Victims Assistance Grant	2004VAGENE531	16.575	3,000
VOCA Victims Assistance Grant	2005VAGENE531	16.575	<u>117</u>
			<u>4,239</u>
Office of Justice Program			
Byrne Memorial Grant Program	2002-DG-H01-7396	16.579	<u>40,000</u>
Total U.S. Department of Justice			<u>\$ 227,317</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Public Safety</i>			
State and Community Highway Safety	2004PTMN/1	20.600	30,466
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20048CSJ/6	20.601	<u>20,398</u>
Total U.S. Department of Transportation			<u>\$ 50,864</u>
<u>U.S. DEPARTMENT OF HIGHWAY ADMINISTRATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction Grant - Heisley Road Grade Separation	TE21-G020(253)/11231	20.205	<u>6,888,871</u>
Total U.S. Department of Highway Administration			<u>\$ 6,888,871</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
<i>Direct Program</i>			
United States Fire Administration			
Assistance to Firefighters	ENW-2002-FG-12202	97.044	5,553
Assistance to Firefighters	ENW-2003-FG-18692	97.044	<u>23,600</u>
Total Federal Emergency Management Agency			<u>\$ 29,153</u>
Total Federal Assistance			<u>\$ 7,443,127</u>

See the accompanying notes to the Schedule of Federal Award Expenditures

**CITY OF MENTOR
LAKE COUNTY
FISCAL YEAR ENDED DECEMBER 31, 2004**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

CFDA – Catalog of Federal Domestic Assistance



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

City of Mentor
Lake County
8500 Civic Center Boulevard
Mentor, Ohio 44060

To the City Council:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of City of Mentor, Lake County, Ohio (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 27, 2005, wherein we noted the City reclassified the Heisley Road Improvements Fund from the General Fund to a Capital Projects Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated May 27, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the City's management dated May 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 27, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

City of Mentor
Lake County
8500 Civic Center Boulevard
Mentor, Ohio 44060

To the City Council:

Compliance

We have audited the compliance of the City of Mentor, Lake County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Federal Awards Expenditures Schedule

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Mentor as of and for the year ended December 31, 2004, and have issued our report thereon dated May 27, 2005, wherein we noted the City reclassified the Heisley Road Improvements Fund from the General Fund to a Capital Projects Fund. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We intend this report solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 27, 2005

CITY OF MENTOR
LAKE COUNTY
DECEMBER 31, 2004

SCHEDULE OF FINDINGS
OMB CIRCULAR A - §133 - §505

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction Grant 20.505
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CITY OF
MENTOR, OHIO



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

ISSUED BY THE DEPARTMENT OF FINANCE

JOHN C. ATEN, DIRECTOR

DAVID W. MALINOWSKI, ASSISTANT DIRECTOR

CITY OF MENTOR, OHIO

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City of Mentor

Council-manager
government since 1963

8500 Civic Center Boulevard
Mentor, Ohio 44060-2499
440-255-1100
www.cityofmentor.com

May 27, 2005

City Manager, Council President
and members of City Council
of the City of Mentor, Ohio

Introduction

We are pleased to present the Comprehensive Annual Financial Report of the City of Mentor (the "City") for the year ended December 31, 2004. This report, prepared by the Department of Finance, includes the basic financial statements that summarize the various operations and cash flows related to the City's 2004 activities. Our intention is to provide a clear, comprehensive, and materially accurate overview of the City's financial position at the close of last year. The enclosed information has been designed to allow the reader to gain an understanding of the City's finances, including financial trends, financial instruments, and fund performances. The City has complete responsibility for all information contained in this report.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Because the cost of internal controls should not outweigh their benefits, this comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects and presents fairly the financial position and results of operations of the various funds of the City. All necessary disclosures are included in this report to enable the reader to understand the City's financial activities.

The City's financial statements may be audited either by the Auditor of the State of Ohio, or with permission of the Auditor of State, by an independent certified public accountant. The audit of the City's basic financial statements for fiscal year 2004 was the first under the Auditor of the State of Ohio since the completion of the contract with Deloitte & Touche LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The Auditor of the State of Ohio concluded, based upon its audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2004 are fairly presented, in all material respects, in conformity with GAAP. The Independent Accountants' Report is presented as the first component of the financial section of this document.

*the city of choice!*SM

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent auditors’ report in the financial section of this document.

Structure of this Comprehensive Annual Financial Report

This Comprehensive Annual Financial Report (“CAFR”) is designed to assist the reader in understanding the City’s finances. This CAFR consists of the following sections:

- The Introductory Section, which includes this letter of transmittal, contains information pertinent to the City’s management and organization.
- The Financial Section contains the Independent Accountants’ Report, Management’s Discussion and Analysis, Basic Financial Statements, and various other statements and schedules pertaining to the City’s funds and activities.
- The Statistical Section contains numerous tables of financial and demographic information. Much of this information is shown with comparative data for the ten-year period from 1995 through 2004.

References throughout this report to Note 1, Note 2, etc., are to the Notes to Financial Statements included in the Financial Section of this CAFR.

Profile of the Government

The City

The City is a municipal corporation and political subdivision of the State of Ohio. It is located on the southern shore of Lake Erie approximately 25 miles east of downtown Cleveland. Mentor has a population of 50,278 residents according to the 2000 census and is the largest city in Lake County.

City Government

The City operates under, and is governed by, a charter which was first adopted by the voters in 1963 and has been and may be further amended by the voters from time to time. The City is also subject to certain general State laws that are applicable to all cities in the State. In addition, under Article XVIII, Section 3 of the Ohio Constitution, the City may exercise all powers of local self-government and may exercise police powers to the extent not in conflict with applicable general State laws. The charter provides for a city manager/council form of government.

Legislative authority is vested in a seven-member Council. The terms of Council members are four years. Council members are elected from four wards and three at-large representations. The Council fixes compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal functions. The presiding officer is the Mayor and President of Council, elected by the Council

members for a two-year term. The Clerk of Council is appointed by Council. The charter establishes certain administrative departments; the Council may establish divisions within departments or additional departments. The City's chief executive and administrative officer is the City Manager appointed by the Council.

Financial Reporting Entity

The City has applied guidelines established by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*. Provisions outlined in this statement define the operational, functional and organizational units for which the City "acting as Primary Government" is required to include as part of its reporting entity. The inclusion of a component unit as part of the City's reporting entity requires the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

Under these provisions, the City's financial reporting entity acts as a single rather than multi-component unit. The provisions permit the entity to include all funds, account groups, agencies, and boards and commissions that, by definition, comprise components within the primary government itself. For the City, these components include police and fire protection services, municipal court, planning and engineering, zoning code enforcements, street maintenance, traffic control, parks and recreation, building inspection and community and economic development.

Specifically excluded because they do not meet the established criteria for inclusion in the City's reporting entity are: the Mentor Exempted Village School District and the Mentor Public Library. These entities are operated by boards or commissions separate and independent from City Council's control. The City is not obligated to finance any deficits of the aforementioned entities, nor does it guarantee their indebtedness.

Accounting and Financial Reporting

The City's accounting system is organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds to be used are determined by GAAP and the number of individual funds established is determined by sound financial administration. Each fund is a separate accounting entity with its own self-balancing set of accounts, assets, liabilities, and fund balance. The City's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The City also maintains Fiduciary Funds to account for assets held by the City as an agent or in a trust capacity for individuals, private organizations and other governments.

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. All governmental funds are accounted for using a current financial resources-current assets and current liabilities-measurement focus. The modified accrual basis of accounting is utilized for governmental funds. Revenues are recognized when they are susceptible to accrual (both measurable and available). Expenditures are recognized when the related liability is incurred, except for interest on long-term debt which is recorded when due.

The City's basis of accounting for budgetary purposes differs from GAAP in that revenues are recognized when received, rather than when susceptible to accrual (measurable and available), and encumbrances are included as expenditures rather than included in fund balances.

This is the second year the City has prepared financial statements following new standards. For the year ended December 31, 2003, the City changed its external financial reporting to comply with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments* and No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State*

and Local Governments: Omnibus, an amendment of GASB Statement Nos. 21 and 34. Accordingly, in addition to governmental fund financial statements presented under the modified accrual basis of accounting, government-wide financial statements, which include all governmental funds, are presented on the full accrual basis of accounting. As part of the implementation of GASB Statement Nos. 34 and 37, the City has opted to fully implement retroactive infrastructure reporting. In doing so, the historical cost of infrastructure assets (retroactive to 1980) is included as part of the governmental capital assets. Thus, the depreciated cost of construction of the roadway network including streets, curbs and gutters, guard rails, traffic lights, signals, and bridges is reported in the government-wide statement of net assets. In conjunction with the implementation of GASB Statement Nos. 34 and 37, the City also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which rescinds some and modifies other financial statement disclosure requirements.

Budget Control

Budget control is maintained at the department level by appropriations adopted annually by City Council. Such appropriations are subdivided into expenditure classifications (employee compensation, other expenditures) for each department within each fund. An encumbrance system is utilized, whereby purchase orders reserve portions of applicable appropriations. By such method, overspending of an appropriation is prevented. Open encumbrances are reported as reservations of fund balances at December 31, the close of the City's fiscal year.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is shown on page 35 as part of the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report along with more detailed information regarding the General Fund, which starts on page 60.

Factors Affecting Financial Condition

Local Economic Indicators

The information presented in the financial statements should be considered in the context of the economic climate within which the City operates. The City's economic condition tends to reflect the broader national economy. During 2004, its local economy remained relatively flat as reflected in the growth in municipal income tax receipts over the previous year of just 0.8% (cash basis).

Mentor's local economy benefits from its substantial role in the northeast Ohio region. The City continues to attract new commercial and residential development.

Major Industries and Employment

City officials are optimistic regarding future economic growth. Manufacturing activity, which is diverse, includes medical related products, polymers and plastics, and electrical boards and other peripherals that generally service the computer and automation industries. A proliferation of small businesses in diversified industries has strengthened the City's economic base over the past decade. The City ranks 10th in Ohio in manufacturing employment according to the 1997 U.S. Census of Manufacturing and 6th in the state in sales volume according to the 2002 Economic Census of Retail Trade.

Current Projects and 2004 Accomplishments

In terms of roadway infrastructure improvements, the City resurfaced a total of 11 miles of asphalt streets using City forces for paving and contract services for the milling, and replaced 2,500 square yards of concrete streets. Capital improvement projects included: completion of the widening of Heisley Road to four lanes between Hendricks Road and Jackson Street including construction of railroad grade separations at the CSX and Norfolk Southern railroads; and realignment of Hopkins Road and replacement of the county bridge south of Rosewood Lane.

Drainage projects undertaken in 2004 included: improvements to the Hallworth Subdivision detention area and the outfall drainage; and continued field surveying and information mapping to assemble the required base maps as part of the Mentor City stormwater discharge permit application to the Ohio EPA. The City also continued its roadside ditch improvement program, enclosing 8,000 feet of hazardous ditch. In addition, as part of a program to help residents alleviate drainage problems, 7,800 feet of pipe was installed benefiting 71 properties.

The Fire Department continued to be one of the highest rated fire departments in the state with an ISO Class 2 public protection classification by the Insurance Services Office. There are currently no Class 1 departments in Ohio. ISO ratings run from 1, representing exemplary public protection, to 10, which indicates that the available fire protection does not meet ISO minimum criteria. This high rating means that business and commercial concerns within the City can realize savings on insurance premiums.

The Community Development Department serving as staff to the Municipal Planning Commission reviewed final site development plans for twelve commercial and industrial buildings. A site plan was approved for a 50 unit independent living development. Final subdivision approval was recommended for 61 lots on 24 acres in the Newell Creek Reserve. An 82 acre rezoning from R-2, Single Family Residential to RVG, Village Green was recommended for approval.

The Public Information Office produced 172 programs representing 2,465 hours of programming for the City's government access channel. For the 13th year, the office was recognized by the National Association of Telecommunication Officers and Advisors (NATOA) for outstanding video production. The office also received two Lake County Apex Awards from the Lake County Professional Communicators for Most Creative Use of Budget and Video Production.

The Department of Parks, Recreation and Public Lands planted 511 trees along public right-of-ways and in city parks and the City was named a Tree City USA for the 17th consecutive year. A new handicap accessible playground was constructed at Garfield Park. A new boat-launching ramp was constructed at the Mentor Lagoons Marina along with development of a new 5-mile water trail. Crews assisted in constructing the Bicentennial Memorial.

For the Future

The City's five-year (2005-2009) capital improvement program contains the following proposed expenditures:

Facility construction and improvements	\$ 1,322,000
Roadway construction and improvements	66,420,000
Traffic control	3,464,900
Sidewalk and bikeway improvements	1,780,000
Storm drainage	2,306,000
Park acquisition, development & improvement	4,546,970
Major capital equipment	<u>4,839,400</u>
	<u>\$ 84,679,270</u>

Of the proposed \$84,679,270 for the five-year period, \$23,922,300 (28%) is expected to be funded by the City. The remaining \$60,756,970 (72%) is expected to be funded primarily by Federal/State/County assistance.

With a growing population and an extensive commercial and retail district, transportation issues are important to City officials. Projects anticipated in 2005 include the following: resurfacing S.R. 84 from S.R. 615 to the Mentor east corporation line; resurfacing US Route 20 from Hopkins Road to the Mentor east corporation line; widening and resurfacing Chillicothe Road from King Memorial Road to Fairlawn Avenue and constructing storm sewers as needed; and construction of bikelanes on Lakeshore Boulevard from Hopkins Road to Corduroy Road. Future capital equipment purchases include the purchase of a new aerial fire truck in 2005 for an estimated cost of \$825,000.

Cash Management

Cash management is a vital part of the City's financial operations. We attempt to earn as much investment income as is consistent with our primary objective of preserving principal.

We strive to invest all available dollars. The City uses a controlled disbursement approach in which only the amount needed to cover checks that are presented for payment each day is transferred from investments to the bank accounts. A money market fund is used to increase yield while maintaining adequate funds to pay bills day-to-day. The City also invests in certain bond mutual funds and in debt securities with maturities of up to five years. All investments are made in accordance with the City's investment ordinance; the Director of Finance may only invest in a debt security if, at the time the investment is made, he reasonably believes that it can be held until its maturity. Additional information regarding the City's cash management, including its investment policy and the security of City deposits can be found in Note 4 starting on page 46.

Risk Management

The City contracts the services of an insurance consultant to review coverage and make recommendations. The consultant is strictly an advisor and reviewer of all transactions pertaining to various aspects of the coverage needed in today's governmental operations. Additional information on the City's risk management, including insurance and self insurance can be found in Note 10 starting on page 53.

Awards and Acknowledgements

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mentor for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Mentor has received a Certificate of Achievement for the last twenty consecutive years (fiscal years 1984-2003). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

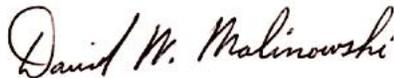
Acknowledgements

We would like to express appreciation to the many individuals in the Finance Department who have assisted in preparing this report. Other factors that make this report possible are the cooperation of other City departments and the support and encouragement of the City Manager, the Council President, and members of Council.

Sincerely,



John C. Aten
Director of Finance



David W. Malinowski
Assistant Director of Finance

CITY OF MENTOR, OHIO

PRINCIPAL CITY OFFICIALS DECEMBER 31, 2004

Mentor City Council

Ward 1, President ----- Robert M. Shiner
At-Large, Vice President ----- Ray Kirchner
At-Large ----- Robert A. Gawronski
At-Large ----- Ronald L. Micchia
Ward 2 ----- Scott J. Marn
Ward 3 ----- Edward R. Walsh
Ward 4 ----- George R. Maier

Judge, Mentor Municipal Court ----- John F. Trebets

Law Director ----- Richard A. Hennig
Clerk of Council ----- Elizabeth A. Limestahl
City Manager ----- Julian M. Suso
Assistant City Manager ----- Daniel R. Graybill
Director of Finance ----- John C. Aten
Director of Public Works ----- Matthew S. Schweikert
Director of Parks, Recreation and Public Lands ----- Kurt D. Kraus
Acting City Engineer ----- Dave Swiger
Chief of Police ----- Daniel Llewellyn
Fire Chief ----- Richard L. Harvey
Director of Community Development ----- Ronald M. Traub
Acting Personnel Director ----- Daniel R. Graybill

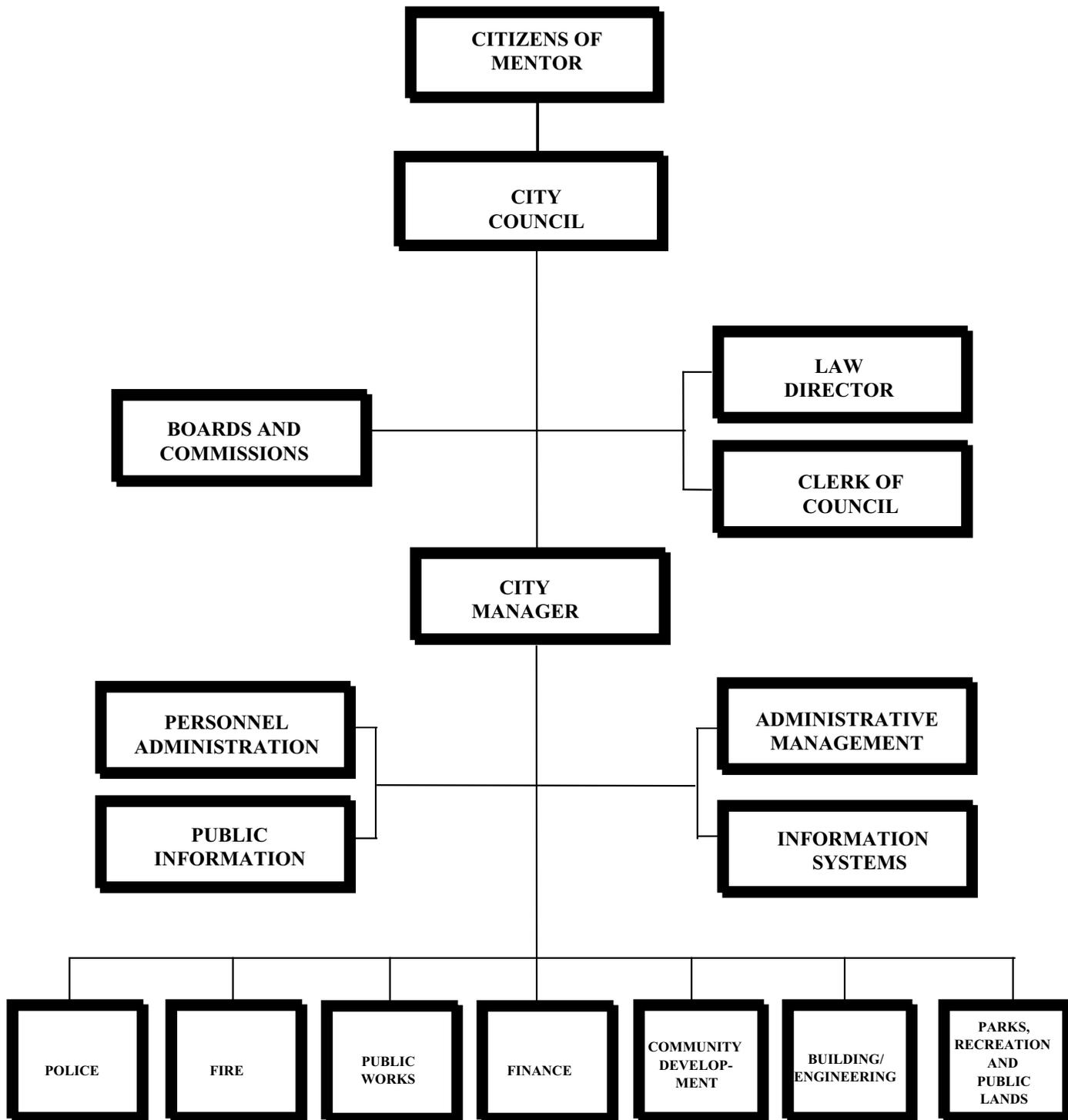
CITY OF MENTOR, OHIO

DEPARTMENT OF FINANCE STAFF DECEMBER 31, 2004

JOHN C. ATEN ----- Director of Finance
DAVID W. MALINOWSKI ----- Assistant Director
DEBORAH VANONE ----- Accounting Supervisor
SHEARIN FERGUSON ----- Accounting Supervisor
DIANE L. PAULEY ----- Purchasing Coordinator
JUDITH A. COREY ----- Accountant
LINDA HOVANCE ----- Accounting Assistant
LINDA MARTINC ----- Accounting Assistant
TAMMY STUBER ----- Accounting Assistant
LINDA WIGHT ----- Accounting Assistant
JILL LEHNER ----- Accounting Assistant
VERONICA FETSKO ----- Accounting Assistant
JO-ANN FOHL ----- Office Assistant
KRIS HANNAN ----- Office Assistant
MARIE SAMEC ----- Office Assistant

CITY OF MENTOR, OHIO

Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mentor,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelle

President

Jeffrey R. Emer

Executive Director

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Mentor
Lake County
8500 Civic Center Boulevard
Mentor, Ohio 44060

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor, Lake County, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor, Lake County, Ohio, as of December 31, 2004, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 of the December 31, 2004 basic financial statements, the City reclassified the Heisley Road Improvements Fund from the General Fund to a Capital Projects Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Auditor of State

May 27, 2005

CITY OF MENTOR, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mentor (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2004. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 30.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at December 31, 2004 by approximately \$176 million (net assets). All of the net assets are accounted for as governmental activities. Of this amount, \$19.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors
- The City's net assets increased by \$5.2 million during 2004.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$15.7 million and is available for spending at the City's discretion. The unreserved fund balance equals 38.0 percent of total current year general fund expenditures.
- The City's total debt decreased by \$1.62 million (5.9 percent) during the current fiscal year. The decrease was a result of normal debt service payments with no additional new debt issued during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of five components: 1) government-wide financial statements, 2) fund financial statements, 3) General Fund budget and actual statement, 4) fiduciary fund financial statements, and 5) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement of activities distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City principally include: general government; police; fire; streets and highways; parks, recreation and public lands; community development; and engineering and building.

The government-wide financial statements can be found on pages 30-31 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 44 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Assessment Bond Retirement Fund, and the Heisley Road Improvement Fund, which are considered to be major funds. Data from the other 41 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 32-34 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds reporting focuses on net assets and changes in net assets.

The basic fiduciary fund financial statements can be found on pages 36 and 37 of this report.

General Fund budget and actual statement. The City adopts an annual appropriated budget for each of its funds. The General Fund budgetary comparison on page 35 of this report has been provided as a separate financial statement to demonstrate compliance with its budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Assets looks at the City as a whole. The table below provides a summary of the City's net assets for 2004 compared to 2003.

	Summary of Net Assets	
	As of	As of
	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Assets:		
Cash, investments, receivables, and other assets	\$ 49,783,456	\$ 49,765,856
Capital assets	<u>168,324,368</u>	<u>165,157,568</u>
Total assets	<u>218,107,824</u>	<u>214,923,424</u>
Liabilities:		
Accounts payable, accrued liabilities, deferred revenues and other liabilities	13,313,880	13,884,823
Long-term obligations	<u>28,664,622</u>	<u>30,093,147</u>
Total liabilities	<u>41,978,502</u>	<u>43,977,970</u>
Net assets:		
Invested in capital assets, net of related debt	142,321,257	137,537,568
Restricted	14,102,559	14,699,469
Unrestricted	<u>19,705,506</u>	<u>18,708,417</u>
Total net assets	<u>\$ 176,129,322</u>	<u>\$ 170,945,454</u>

Total assets increased \$3,184,400 from 2003 to 2004. The increase was due to investments in capital assets (net of accumulated depreciation), particularly for infrastructure such as the Heisley Road Improvement project.

Total liabilities decreased by \$1,999,468. The largest decrease came in long-term obligations. The City continued to reduce its debt by paying off its bonds without issuing debt to fund new projects during 2004.

The result of increased assets and decreased liabilities is an increase in total net assets of \$5,183,868.

A portion of the City's net assets (8.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$19.7 million (11.2 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

In order to further understand what makes up the changes in net assets for the current and previous years, the following table provides details regarding the results of activities for those years.

Changes in Net Assets

	<u>2004</u>	<u>2003</u>
Revenues:		
Program revenues:		
Charges for services	\$ 6,540,374	\$ 6,559,948
Operating grants and contributions	822,361	1,088,262
Capital grants and contributions	9,519,982	8,284,025
General revenues:		
Municipal income taxes	27,729,472	26,338,127
Property taxes	5,464,807	4,882,423
Other local taxes	775,571	732,210
Shared revenues	7,093,817	6,914,549
Other grants and contributions	63,216	59,612
Unrestricted investment earnings	510,565	680,325
Other	<u>44,351</u>	<u>412,295</u>
 Total revenues	 <u>58,564,516</u>	 <u>55,951,776</u>
 Expenses:		
General government	6,998,884	7,545,494
Police	10,604,664	10,013,387
Fire	9,502,396	9,070,349
Streets and highways	13,880,008	12,170,074
Parks, recreation and public lands	7,641,284	7,187,899
Community development	1,336,548	1,229,646
Engineering and building	1,833,510	1,882,276
Interest and other charges	<u>1,583,354</u>	<u>1,710,007</u>
 Total expenses	 <u>53,380,648</u>	 <u>50,809,132</u>
 Increase in net assets	 5,183,868	 5,142,644
 Net assets at beginning of year	 <u>170,945,454</u>	 <u>165,802,810</u>
 Net assets at end of year	 <u>\$ 176,129,322</u>	 <u>\$ 170,945,454</u>

The increase in net assets of \$5.2 million in 2004 and \$5.1 million in 2003 is a result of program revenues related to federal grants for streets and highways currently under construction, primarily for the Heisley Road improvement project, whose cost will be depreciated in future years.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unreserved fund balance is a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2004, the City's governmental funds reported combined ending fund balances of \$21.6 million, a decrease of \$0.1 million from the prior year. The unreserved amount of \$18.4 million is available for spending at the City's discretion. The remainder of the combined fund balances is reserved to indicate that it is not available for general spending because it has already been committed 1) to liquidate contracts and purchase orders outstanding of \$2.1 million, 2) to pay \$0.6 million of debt service, and 3) to hold inventory of \$0.6 million.

The City reported three major funds for the year – the General Fund, the Special Assessment Bond Retirement Fund, and the Heisley Road Improvement Fund. In addition to the detailed analysis of the General Fund that follows, these other changes in fund balances should be noted:

- The City recorded revenues of \$1.3 million and expenditures of \$1.4 million related to special assessments for certain bonds issued in past years. The fund balance reserved for debt service decreased by \$0.1 million this year.
- The City spent \$6.4 million this year on the completion of the Heisley Road improvement project. After reclassification of this project to a separate capital project fund (see footnote 3), the total revenue recorded during the year of \$6.7 million results in no remaining fund balance at the end of 2004.

The General Fund is the chief operating fund of the City. At December 31, 2004, the unreserved fund balance of the General Fund was \$15.7 million. As a measure of the General Fund's liquidity, it is useful to compare the unreserved fund balance to total fund expenditures. The unreserved fund balance represents 38.0 percent of total General Fund expenditures at December 31, 2004.

A two-year comparison of General Fund activity is shown in the following table. The revenues, expenditures and change in fund balance shown in the comparison are presented on the modified accrual basis of accounting applicable to governmental funds.

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance Information – Modified Accrual Basis
Years Ended December 31, 2004 and 2003

	2004	2003
Revenues:		
Property taxes	\$ 1,568,881	\$ 1,386,305
Municipal income taxes	26,813,889	26,435,708
Intergovernmental	4,876,486	5,256,451 *
Charges for services	2,673,117	2,726,280
Fines and forfeitures	1,153,941	1,195,376
Licenses, permits, and inspections	1,142,216	1,099,716
Investment income	510,565	680,325
Donations and other	1,755,424	699,689
Total Revenues	40,494,519	39,479,850
Expenditures:		
General government	6,700,502	7,254,548
Police	9,448,701	8,904,309
Fire	7,261,000	6,922,959
Streets and highways	6,522,918	6,765,589
Parks, recreation and public lands	6,261,937	5,893,284
Community development	1,104,509	1,046,266
Engineering and building	1,666,248	1,766,664
Capital outlay	2,345,369	3,609,529 *
Debt service – principal retirement	10,000	10,000
Total Expenditures	41,321,184	42,173,148
Excess of expenditures over revenues	(826,665)	(2,693,298)
Other Financing sources (Uses):		
Transfer out	-	(17,348)
Excess of expenditures and other financing uses over revenues and other financing sources	(826,665)	(2,710,646)
Fund balances at beginning of year	18,414,881	21,147,653
Change in reserve for inventory	92,505	(22,126)
Fund balance at end of year	\$ 17,680,721	\$ 18,414,881

* Restated in 2004 – see note 3

The income tax is imposed on gross salaries and wages earned in the City by non-residents of the City and on salaries, wages and other compensation of City residents earned within or outside the City. The income tax liability of a City resident employed outside the City is reduced by a credit equal to 100% of the tax paid to the municipality in which the City resident is employed. The tax on business profits is imposed on that part of profits attributable to business conducted within the City.

Income tax revenue increased approximately \$0.4 million in 2004 versus the comparable amount in 2003 as a result of slight growth in the local economy. Revenue generated from the municipal income tax is recorded in the General Fund and may be used for any governmental purpose, including debt service on general obligation bonds of the City.

Intergovernmental

Intergovernmental revenues are composed of federal and state grants and other shared revenues including taxes levied and collected by the State of Ohio and Lake County and partially redistributed to the City and other political subdivisions. Shared revenues include state income, sales, corporate franchise, estate, and cigarette taxes as well as liquor fees. Intergovernmental revenues decreased by approximately 7.2% in 2004 due to less estate tax collections during the year.

The State Local Government Fund (“LGF”) and Local Government Revenue Assistance Fund (“LGRAF”) are a significant source of non-tax General Fund revenue. Through these funds, Ohio subdivisions share in a portion of the State’s collection of the sales tax, use tax, personal income tax, corporate franchise tax and public utilities excise tax. The percentages of the five taxes supporting these funds have varied over the years. At times, the dollar amounts in the funds have been capped at specified levels.

Pursuant to the Ohio Revised Code, State LGF revenues are divided into county and municipal portions. The county portion, the larger of the two, is distributed to each of the State’s 88 counties and is allocated based upon a statutory formula utilizing county population and county municipal property values. Once received by a county, the funds can either be distributed to all subdivisions using the statutory formula or the county and its subdivisions may agree upon an alternate method for allocating the funds. Lake County and its recipient communities have chosen the latter method which is comprised of a base allocation and an excess allocation. The excess allocation takes into account such factors as assessed value per capita, per capita income, population density and the number of individuals receiving public assistance. The municipal portion of the LGF is distributed directly by the State to those municipalities that collect an income tax. A municipality receives its share of the funds based upon its percentage of total municipal income taxes collected throughout the state in a given year. In 2004, the City had LGF revenue of \$3.3 million.

The LGRAF, which was created in 1989, is distributed to all counties based upon population. Either the statutory allocation method or an agreed upon alternative allocation is used to apportion the funds. Lake County allocates LGRAF funds using the same method as is used to distribute LGF monies. In 2004, the City had LGRAF revenue of \$0.3 million. LGRAF funding has fluctuated over the course of the last few years. Distributions from the State of Ohio and Lake County (as a conduit between the State and City) have remained constant or decreased since 2001.

Investment Income

Investment income in 2004 was \$510,565, down from \$680,325 in 2003. The City had an average of \$21.8 million invested during 2004 versus \$24.2 million in 2003, which reduced investment income by about \$70,000. A lower effective yield on the portfolio caused the remaining decrease of about \$100,000.

Donations and other

Donations and other revenues increased by \$1.1 million from 2003 because of \$1.6 million received in 2004 from private source grants from two railroad companies to improve crossings, compared with \$0.5 million received in 2003 from the sale of the vacated City owned service garage.

Analysis of General Fund Expenditures

General Fund expenditures and other uses totaled \$41.3 million in 2004, a decrease of 2.1% from 2003. The amount of expenditures and other uses by function on a modified accrual basis for the year ended December 31, 2004, including the increases (decreases) over the prior year, are shown in the following table:

<u>Expenditures and Other Uses</u>	<u>Actual 2004</u>	<u>% of Total</u>	<u>Actual 2003</u>	<u>% of Total</u>	<u>Increase (Decrease) Over 2003</u>	<u>% Change</u>
(\$ Amounts in 000's)						
Current:						
General Government	\$ 6,701	16.22%	\$ 7,255	17.20%	\$ (554)	(7.64%)
Police	9,449	22.87	8,904	21.10	545	6.12
Fire	7,261	17.57	6,923	16.41	338	4.88
Streets and highways	6,523	15.79	6,766	16.04	(243)	(3.59)
Parks, recreation and public land	6,262	15.16	5,893	13.97	369	6.26
Community development	1,105	2.67	1,046	2.48	59	5.64
Engineering and building	1,666	4.03	1,767	4.19	(101)	(5.72)
Capital outlay	2,345	5.67	3,609 *	8.55	(1,264)	(35.02)
Debt service - principal retirement	10	0.02	10	0.02	-	-
Transfers Out	<u> </u>	<u>-</u>	<u>17</u>	<u>0.04</u>	<u>(17)</u>	<u>(100.00)</u>
Total expenditures and other financing uses	<u>\$ 41,322</u>	<u>100.00 %</u>	<u>\$ 42,190</u>	<u>100.00 %</u>	<u>\$ (868)</u>	<u>(2.06)%</u>

* Restated in 2004 – see Note 3.

Legal expenditures were substantially lower during 2004 causing a decrease in General Government expenditures. The City incurred almost \$600,000 less during 2004 as compared to 2003 to litigate with two railroads in connection with a planned street that will cross over their tracks. Police expenditures were higher because of higher salary and benefits associated with fuller patrol staffing levels throughout the year and the impact of general wage increases. Fire expenditures increased primarily because of \$256,000 of higher full-time salaries and \$82,000 of additional fringe benefit costs.

The increase in parks, recreation and public land expenditures was attributed to increased maintenance costs at the ice arena and boat marina. Capital outlay expenditures decreased primarily as a result of the \$1.4 million of costs to complete the fire station headquarters expansion during 2003 versus no costs in 2004.

Major Functional Expense Categories. A discussion of the City's major functional expense categories follows:

Employee Compensation and Labor Relations

As of December 31, 2004 and 2003, the City had approximately 371 and 378 full-time employees, respectively. As of December 31, 2004, approximately 237 full-time employees are represented in 5 collective bargaining units. The labor unions, together with the approximate number of employees represented by each, are the Municipal, County and State Employees' Union 1099- 71, the Ohio Patrolmen's Benevolent Assn. representing three units – 95, and the International Assn. of Firefighters Local 1845 – 71.

There have been no work stoppages in the City within the last 20 years. The current three-year agreements with the labor unions which represent the full-time employees all expire in April 2005. The agreement covering the part-time firefighters expires in April 2006. The current agreements have wage increases of generally 3.25% - 3.75% per year.

The Council, by ordinance, establishes schedules of salaries, wages and other economic benefits for the City's non-union employees. Generally, the terms of these ordinances have mirrored the wage increases and benefits in the union agreements.

Chapter 4117 of the Ohio Revised Code (the "Collective Bargaining Law"), establishes procedures for, and regulates public employer-employee collective bargaining and labor relations for the City and other state and local governmental units in Ohio. The Collective Bargaining Law creates a three-member State Employment Relations Board, which administers and enforces the Collective Bargaining Law. Among other things, the Collective Bargaining Law: (i) creates rights and obligations of public employers, public employees and public employee organizations with respect to labor relations; (ii) defines the employees it covers; (iii) establishes methods for (a) the recognition of employees and organizations as exclusive representatives for collective bargaining and (b) the determination of bargaining units; (iv) establishes matters for which collective bargaining is either required, prohibited, or optional; (v) establishes procedures for bargaining and the resolution of disputes, including negotiation, mediation and fact finding; and (vi) permits all covered employees to strike, except certain enumerated classes of employees, such as police and fire personnel.

Over the past two years, the total salaries and wages paid to City employees from the General Fund were as follows:

2004	\$ 23,486,539
2003	\$ 22,036,053

The increase in salaries and wages in 2004 is primarily due to general wage increases, step increases as employees advance with experience in their classifications, and the effect of an additional 27th bi-weekly payroll during the year.

Employee Retirement Benefits

City employees (except for certain part-time firefighters who are covered by social security) are members of one of two retirement systems. These retirement systems provide both pension and post-retirement health care benefits to participants, were created pursuant to Ohio statutes and are administered by state created boards of trustees. The boards are comprised of a combination of elected members from the respective retirement systems' memberships and ex-officio members from certain state government offices.

These two retirement systems are:

- Ohio Public Employees Retirement System (OPERS), created in 1935, represents state and local government employees not included in one of the other four state-mandated systems. Management of the fund indicates membership of approximately 369,885 actively employed members. More data on this pension fund are shown in Notes 14 and 15 to the financial statements.
- Ohio Police and Fire Pension Fund (OP&F), created in 1966, represents sworn personnel, not civilians, employed in police and fire divisions of Ohio's local governments. All of the City's full-time police and fire officers are members of this pension fund. More data on this pension fund are shown in Notes 14 and 15 to the financial statements.

Over the past two years, the City and its employees have paid the following amounts to OPERS and OP&F.

	<u>2004</u>	<u>2003</u>
	(in thousands)	
Paid by City to:		
OPERS	\$ 1,777	\$ 1,784
OP&F	<u>2,170</u>	<u>2,038</u>
Total paid by City	<u>3,947</u>	<u>3,822</u>
Paid by employees to:		
OPERS	1,164	1,128
OP&F	<u>1,057</u>	<u>959</u>
Total paid by employees	<u>2,221</u>	<u>2,087</u>
Total	<u>\$ 6,168</u>	<u>\$ 5,909</u>

The increase in amounts paid to OPERS and OP&F during 2004 is primarily due to wage increases during 2004.

The City is current in all of its required contributions to the respective pension funds.

GENERAL FUND BUDGETARY ANALYSIS

The difference between the original and the final amended budget for the City's General Fund expenditures, including advances out, (see page 35) was an increase of \$0.3 million, a 0.6 percent increase in appropriations. These were the most significant changes:

- The City increased the appropriations for streets and highways by \$0.2 million for the purchase of a permanent drainage easement at the Marsh Creek Detention Basin.
- The parks, recreation and public lands budget was increased by \$0.1 million for electrical repairs at the ice arena and community center.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets as of December 31, 2004 equaled \$168.3 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets in 2004 was 1.9 percent. A summary of the City's capital assets at December 31, 2004 is as follows:

	<u>Capital Assets, Net of Accumulated Depreciation</u>
Land	\$ 52,794,313
Land improvements	1,959,963
Buildings and improvements	27,704,761
Equipment	7,210,257
Infrastructure	78,145,149
Construction in progress	<u>509,925</u>
Total	<u>\$ 168,324,368</u>

The following was the major event during the current fiscal year that affected the City's capital assets:

- Completion of roadway construction and improvements (including land acquisition) related to the widening of Heisley Road and providing for railroad grade separations in the amount of \$6.4 million.

The primary sources for financing the City's capital improvement projects are federal, state (Issue 2), and Lake County funding sources; general obligation bond proceeds; and general fund revenues. Additional information on the City's capital assets can be found in Note 7 to the financial statements on page 50.

Long-term debt and other obligations. As of December 31, 2004 the City had total bonds and notes outstanding of \$26 million. These are backed by the full faith and credit of the City.

The activity affecting the City's debt obligations outstanding during the year ended December 31, 2004 is summarized below.

	<u>Balance January 1, 2004</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Balance December 31, 2004</u>
	(in thousands)			
General Obligation Bonds	\$ 18,161	\$ 5,809	\$ (6,822)	\$ 17,148
Special Assessment Bonds	9,439	76	(858)	8,657
General Obligation Notes Payable	<u>20</u>	<u>188</u>	<u>(10)</u>	<u>198</u>
Total Governmental Activities	<u>\$ 27,620</u>	<u>\$ 6,073</u>	<u>\$ (7,690)</u>	<u>\$ 26,003</u>

The funds used to meet the debt service requirements of the City's general obligation bonds are from certain ad valorem taxes and other revenue sources. Ad valorem taxes, the primary source of funds, amounted to \$1.854 million in 2004 which represented 84% of the debt service requirements on the general obligation bonds. Admission tax and hotel/motel tax revenues were used to pay the remaining 16% of debt service requirements.

The City issues its general obligation bonds within the context of its Capital Improvement Program. Programs which have benefited due to the issuance of general obligation debt include construction of and additions to City buildings (including a maintenance facility, an ice arena, a senior center, a fire station, and a City hall addition), and acquisition of a marina and park land.

The City also issues special assessment bonds for various roadway improvements. The debt service on the special assessment bonds is paid from the revenue collected through the special assessment levies.

The City presently has an Aa3 bond rating from Moody's Investors Service that was assigned initially in August 1997 and was reaffirmed in October 2004; previously the City had an A1 rating from Moody's.

The ratio of net general bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position. Net general bonded debt is total general bonded debt supported by taxes less amounts available in the Debt Service Funds. This data at December 31, 2004 was:

Net General Bonded Debt \$16,706,846

Ratio of Net Bonded Debt to Assessed Valuation 1.05%

Net General Bonded Debt Per Capita \$332.29

The Ohio Revised Code provides that the net debt of the municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the assessed value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total assessed value of property. The City's total debt limit (10.5 percent) is \$166,479,484 and unvoted debt limit (5.5 percent) is \$87,203,539. These debt limitations are not expected to affect the financing of any currently planned facilities or services.

Additional information on the City's long-term debt can be found in Note 8 to the financial statements on pages 51-53.

FACTORS EXPECTED TO IMPACT THE CITY'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS

On a cash basis the City's general fund budget for 2005 projects a year-end unencumbered balance of \$4.7 million. This includes estimated income tax collections of \$27.5 million which is 1.9% more than actual 2004 collections. For the four months through April 30, 2005 income tax collections were up 5.0% from the comparable 2004 period. The general fund unencumbered balance at April 30, 2005 was \$10.7 million.

In January 2005 the City purchased Black Brook golf course for \$6,250,000. This was done to preserve it as a recreational facility in the community rather than letting its land be developed for residential housing. To pay the purchase price the City issued \$6,250,000 of bond anticipation notes at an interest rate of 3% that mature on November 1, 2005. On a cash basis the 2005 estimated revenues for the golf course under the City's ownership are \$825,000 and the appropriated expenditures \$655,000.

In April 2005 the City reached agreement with Avery Dennison Corporation with respect to that company's relocation of a regional headquarters facility to a new mixed commercial/residential development in the City. The expected payroll of Avery is \$40 million and will be subject to the City's 2% municipal income tax. The City will pay to Avery for fifteen years an annual incentive grant equal to 60% of the payroll withholding taxes that the City receives from Avery's employment at the facility.

The Mentor Exempted Village School District will benefit from the Avery agreement because of the additional property taxes that the District will receive. Consequently the City and the District in April 2005 agreed to terminate effective January 1, 2005 their existing agreement under which the City shares with the District 50% of the municipal income tax withholding that is generated by existing enterprise zone tax abatements that the City has done. The amount that the City paid to the District with respect to calendar year 2004 withholding was \$236,700.

NEED ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, City of Mentor, 8500 Civic Center Boulevard, Mentor, Ohio 44060.

CITY OF MENTOR, OHIO

STATEMENT OF NET ASSETS DECEMBER 31, 2004

ASSETS

Cash and investments	\$ 19,067,139
Receivables, net of allowance for doubtful accounts	25,352,086
Due from other governments	4,418,505
Inventory	574,008
Prepaid expenses	44,481
Deferred charges	189,237
Land held for resale	138,000
Nondepreciable capital assets	53,304,238
Depreciable capital assets, net of accumulated depreciation	<u>115,020,130</u>
Total assets	<u>218,107,824</u>

LIABILITIES

Accounts payable and accrued liabilities	4,332,507
Construction, security and bid deposits	398,414
Deferred revenues	8,582,959
Long-term obligations:	
Due within one year	3,364,911
Due in more than one year	<u>25,299,711</u>
Total liabilities	<u>41,978,502</u>

NET ASSETS

Invested in capital assets, net of related debt	142,321,257
Restricted for:	
Debt service	9,440,732
Capital projects	580,697
Streets and public safety	4,081,130
Unrestricted	<u>19,705,506</u>
Total net assets	<u>\$ 176,129,322</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MENTOR, OHIO

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs:</u>					
Governmental Activities:					
General government	\$ 6,998,884	\$ 1,898,955	\$ 58,818	\$ -	\$ (5,041,111)
Police	10,604,664	76,841	84,477	41,122	(10,402,224)
Fire	9,502,396	6,756	37,262	-	(9,458,378)
Streets and highways	13,880,008	1,066,234	367,239	8,809,265	(3,637,270)
Parks, recreation and public lands	7,641,284	2,782,247	88,050	55,000	(4,715,987)
Community development	1,336,548	38,722	186,515	44,581	(1,066,730)
Engineering and building	1,833,510	670,619	-	45,943	(1,116,948)
Interest and other charges	<u>1,583,354</u>	<u>-</u>	<u>-</u>	<u>524,071</u>	<u>(1,059,283)</u>
Total governmental activities	<u>\$ 53,380,648</u>	<u>\$ 6,540,374</u>	<u>\$ 822,361</u>	<u>\$ 9,519,982</u>	<u>(36,497,931)</u>
General revenues:					
Municipal income taxes					27,729,472
Property taxes levied for:					
General purpose					1,569,225
Special revenue					2,041,450
Debt service					1,854,132
Other local taxes					775,571
Shared revenues					7,093,817
Grants and contributions					63,216
Unrestricted investment earnings					510,565
Other					<u>44,351</u>
Total general revenues					<u>41,681,799</u>
Change in net assets					5,183,868
Net assets at beginning of year					<u>170,945,454</u>
Net assets at end of year					<u>\$ 176,129,322</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MENTOR, OHIO

BALANCE SHEET - GOVERNMENTAL FUNDS DECEMBER 31, 2004

	General	Special Assessment Bond Retirement	Heisley Road Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 14,336,989	\$ 122,112	\$ -	\$ 4,608,038	\$ 19,067,139
Receivables, net	9,971,718	11,939,928	-	3,440,144	25,351,790
Due from other funds	538,456	-	-	838	539,294
Due from other governments	2,694,111	-	-	1,724,395	4,418,506
Inventory	574,008	-	-	-	574,008
Land held for resale	-	138,000	-	-	138,000
TOTAL ASSETS	\$ 28,115,282	\$ 12,200,040	\$ -	\$ 9,773,415	\$ 50,088,737
LIABILITIES					
Accounts payable	\$ 802,079	\$ -	\$ -	\$ 615,572	\$ 1,417,651
Accrued payroll and employee benefits	2,013,229	-	-	-	2,013,229
Accrued liabilities	754,352	12,072	-	25,573	791,997
Construction, security and bid deposits	398,414	-	-	-	398,414
Due to other funds	-	1,714	-	537,580	539,294
Deferred revenue	6,466,487	12,064,142	-	4,760,246	23,290,875
Total liabilities	10,434,561	12,077,928	-	5,938,971	28,451,460
FUND BALANCES					
Reserved for:					
Inventory	574,008	-	-	-	574,008
Debt service	-	122,112	-	441,048	563,160
Encumbrances	1,399,546	-	-	686,041	2,085,587
Unreserved, reported in:					
General fund	15,707,167	-	-	-	15,707,167
Special revenue funds	-	-	-	3,222,412	3,222,412
Capital project funds	-	-	-	(515,057)	(515,057)
Total fund balances	17,680,721	122,112	-	3,834,444	21,637,277
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,115,282	\$ 12,200,040	\$ -	\$ 9,773,415	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

168,324,368

Other long-term assets are not available to pay for current -period expenditures and, therefore, are deferred in the funds.

14,941,930

Long-term liabilities, including bonds and claims payable, are not due and payable in the current period and, therefore, are not reported in the funds.

(28,774,253)

Net assets of governmental activities

\$ 176,129,322

The notes to the financial statements are an integral part of this statement.

CITY OF MENTOR, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Special Assessment Bond Retirement	Heisley Road Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 1,568,881	\$ -	\$ -	\$ 3,895,582	\$ 5,464,463
Municipal income taxes	26,813,889	-	-	-	26,813,889
Other local taxes	-	-	-	775,571	775,571
Intergovernmental	4,876,486	-	6,736,206	3,195,673	14,808,365
Charges for services	2,673,117	-	-	120,467	2,793,584
Fines and forfeitures	1,153,941	-	-	306,461	1,460,402
Licenses, permits, and inspections	1,142,216	-	-	27,010	1,169,226
Special assessments	-	1,270,784	-	1,065,786	2,336,570
Investment income	510,565	-	-	66,042	576,607
Donations and other	1,755,424	-	-	41,075	1,796,499
Total revenues	<u>40,494,519</u>	<u>1,270,784</u>	<u>6,736,206</u>	<u>9,493,667</u>	<u>57,995,176</u>
EXPENDITURES					
Current:					
General government	6,700,502	-	-	148,187	6,848,689
Police	9,448,701	-	-	518,785	9,967,486
Fire	7,261,000	-	-	1,656,993	8,917,993
Streets and highways	6,522,918	-	-	3,193,927	9,716,845
Parks, recreations and public lands	6,261,937	-	-	166,431	6,428,368
Community development	1,104,509	-	-	205,397	1,309,906
Engineering and building	1,666,248	-	-	125,693	1,791,941
Capital outlay	2,345,369	-	6,410,161	984,073	9,739,603
Debt service:					
Principal retirement	10,000	781,320	-	1,218,680	2,010,000
Interest and other expenditures	-	587,907	-	1,096,955	1,684,862
Total expenditures	<u>41,321,184</u>	<u>1,369,227</u>	<u>6,410,161</u>	<u>9,315,121</u>	<u>58,415,693</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(826,665)</u>	<u>(98,443)</u>	<u>326,045</u>	<u>178,546</u>	<u>(420,517)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of bonds	-	81,169	-	5,867,436	5,948,605
Payment to bond escrow agent for refunding	-	(79,833)	-	(5,771,080)	(5,850,913)
Proceeds of notes	-	-	-	188,111	188,111
Transfers in	-	-	-	1,134,349	1,134,349
Transfers out	-	-	-	(1,134,349)	(1,134,349)
Total other financing sources and (uses)	<u>-</u>	<u>1,336</u>	<u>-</u>	<u>284,467</u>	<u>285,803</u>
NET CHANGE IN FUND BALANCES	(826,665)	(97,107)	326,045	463,013	(134,714)
FUND BALANCES AT BEGINNING OF YEAR (As restated - see Note 3)	18,414,881	219,219	(326,045)	3,371,431	21,679,486
CHANGE IN RESERVE FOR INVENTORY	<u>92,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,505</u>
FUND BALANCES AT END OF YEAR	<u>\$ 17,680,721</u>	<u>\$ 122,112</u>	<u>\$ -</u>	<u>\$ 3,834,444</u>	<u>\$ 21,637,277</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MENTOR, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES OF GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2004

Amount reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (134,714)

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital asset additions	\$ 8,120,843	
Current year depreciation	<u>(4,954,043)</u>	3,166,800

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	343	
Municipal income taxes	915,583	
Intergovernmental	308,878	
Special assessments	<u>(812,263)</u>	412,541

The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due.

1,825,705

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(86,464)

Changes in net assets of governmental activities

\$ 5,183,868

The notes to the financial statements are an integral part of this statement.

CITY OF MENTOR, OHIO

**GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
REVENUES:				
Property taxes	\$ 1,590,400	\$ 1,590,400	\$ 1,568,881	\$ (21,519)
Municipal income tax	27,754,000	27,754,000	26,935,407	(818,593)
Intergovernmental	6,924,173	6,924,173	4,875,648	(2,048,525)
Charges for services	2,652,925	2,652,925	2,673,117	20,192
Fines and forfeitures	1,210,000	1,210,000	1,162,683	(47,317)
Licenses, permits, and inspections	1,069,800	1,069,800	1,142,216	72,416
Investment income	832,000	832,000	758,355	(73,645)
Other	26,000	26,000	1,755,424	1,729,424
Total revenues	<u>42,059,298</u>	<u>42,059,298</u>	<u>40,871,731</u>	<u>(1,187,567)</u>
EXPENDITURES:				
Function:				
General government	8,121,338	7,436,633	6,588,316	848,317
Police	10,440,233	10,440,233	10,065,728	374,505
Fire	8,543,408	8,593,733	7,984,189	609,544
Streets and highways	10,643,550	10,888,816	7,539,246	3,349,570
Parks, recreation and public lands	8,612,231	8,707,231	7,498,775	1,208,456
Community development	1,199,858	1,266,658	1,139,128	127,530
Engineering and building	2,688,904	2,688,904	2,188,476	500,428
Total expenditures	<u>50,249,522</u>	<u>50,022,208</u>	<u>43,003,858</u>	<u>7,018,350</u>
Excess (deficiency) of revenues over expenditures	<u>(8,190,224)</u>	<u>(7,962,910)</u>	<u>(2,132,127)</u>	<u>5,830,783</u>
OTHER FINANCING SOURCES (USES):				
Advances in	588,000	588,000	451,513	(136,487)
Advances out	-	(537,581)	(537,581)	-
Total other financing sources (uses)	<u>588,000</u>	<u>50,419</u>	<u>(86,068)</u>	<u>(136,487)</u>
Excess expenditures and other uses over revenues and other sources	<u>(7,602,224)</u>	<u>(7,912,491)</u>	<u>(2,218,195)</u>	<u>5,694,296</u>
Adjustment for prior year encumbrances	2,587,111	2,587,111	2,587,111	-
FUND BALANCES, BEGINNING OF YEAR	<u>9,555,759</u>	<u>9,555,759</u>	<u>9,555,759</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,540,646</u>	<u>\$ 4,230,379</u>	<u>\$ 9,924,675</u>	<u>\$ 5,694,296</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MENTOR, OHIO

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS DECEMBER 31, 2004

	Cemetery Bequest and Endowment Private-Purpose Trust Fund	Municipal Court Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ <u>25,658</u>	\$ <u>40,840</u>
LIABILITIES		
Accounts payable	\$ 371	\$ -
Deposits held and due to others	<u>-</u>	<u>40,840</u>
Total liabilities	<u>371</u>	<u>\$ 40,840</u>
NET ASSETS		
Held in trust for decoration of specific graves	<u>\$ 25,287</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF MENTOR, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2004

	Cemetery Bequest and Endowment Private-Purpose Trust Fund
ADDITIONS	
Investment Income	\$ 905
Donations and other	<u>154</u>
Total additions	<u>1,059</u>
DEDUCTIONS	
General expenses	<u>1,244</u>
Total deductions	<u>1,244</u>
Change in net assets	(185)
Net assets - beginning of year	<u>25,472</u>
Net assets - end of year	<u>\$ 25,287</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

NOTE 1 – DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

The City: The City of Mentor, Ohio (the “City”) was organized under the present system of government effective January 1, 1963 and was incorporated as a home rule municipal corporation under the laws of the State of Ohio. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, parks and recreation, public improvements, community development (planning and zoning), and general administrative services.

Reporting Entity: The accompanying financial statements as of December 31, 2004 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to local governments. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”). The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements.

In evaluating how to define the governmental reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which the City (“primary government”) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and either (1) the City’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

On this basis, the City’s financial reporting entity has no component units but includes the Mentor Municipal Court (the “Court”) as part of the City’s primary government in the determination of the City’s reporting entity. The Court’s operations are not legally separate from the City. In addition, the City is responsible for budgeting and appropriating funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City’s share of the fines collected by the Court, along with its share of the Court’s administrative and operating costs, are recorded in the City’s General Fund. Moneys held by the Court in a fiduciary capacity are included in the agency fund in the accompanying basic financial statements, as further discussed in Note 6. No other organizations are included as part of the City’s reporting entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant policies followed during the preparation of the accompanying financial statements.

A. *Government-wide and fund financial statements*

GASB Statement No. 34 established the requirements and reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Financial information of the City is presented in the following format:

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

Basic Financial Statements:

1. *Government-wide financial statements* consist of a statement of net assets and a statement of activities. These statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the City. Governmental activities are normally supported by taxes and intergovernmental revenues. Fiduciary funds of the City are not included in these government-wide financial statements.

Interfund receivables and payables have been eliminated in the government-wide statement of net assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental activities total column.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental funds. Separate statements are presented for the governmental and fiduciary funds.

The City's major governmental funds are the General Fund, the Special Assessment Bond Retirement Fund, and the Heisley Road Improvement Fund.

The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in other funds. Its revenues consist primarily of income and property taxes, investment earnings, shared revenues, charges for services, and fines and forfeitures.

General Fund expenditures represent costs of general government; police; fire; streets and highways; parks, recreation and public lands; community development; engineering and building; and interest and other charges. General Fund resources are also transferred annually to support other services which are accounted for in other separate funds.

The Special Assessment Bond Retirement Fund is used to account for the accumulation of resources for the payment of special assessment long-term debt principal, interest, and related costs.

The Heisley Road Improvement Fund is a capital project fund used to account for the financing of road improvements on Heisley Road including the construction of bridges over two railroads.

Also maintained by the City are fiduciary funds, such as private-purpose trust funds and agency funds, used to account for either legal trust arrangements which benefit individuals, private

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

organizations, or other governments or assets held by the City as an agent for individuals, private organizations or other governments.

3. *The City's General Fund budget to actual statement* is presented as part of the basic financial statements.
4. *Notes* to the financial statements provide information that is essential to a user's understanding of the basic financial statements.

B. *Financial reporting presentation*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (equity), revenues, and expenditures (expenses). The fund types and classifications that exist under GAAP are as follows:

GOVERNMENTAL FUNDS

1. **General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
2. **Special Revenue Funds** - Special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by legal, regulatory or administrative provisions. These funds include most federal and state grants.
3. **Debt Service Funds** - Debt service funds are used to account for the accumulation of resources for, and the payment of, general obligation and special assessment long-term debt principal, interest, and related costs.
4. **Capital Projects Funds** - The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital projects.
5. **Permanent Funds** - Permanent funds are used for the purpose of accounting for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the reporting government's programs. During 2004, the City did not utilize any permanent funds.

PROPRIETARY FUNDS

1. **Enterprise Funds** - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. During 2004, the City did not utilize any enterprise funds.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

2. **Internal Service Funds** - The internal service funds are used to account for the financing of goods or services provided by one department to other departments or to other governments on a cost-reimbursement basis. During 2004, the City did not utilize any internal service funds.

FIDUCIARY FUNDS

1. **Private-purpose Trust Funds** - Private-purpose trust funds are used to account for trust arrangements which benefit individuals, private organizations, or other governments. For accounting measurement purposes, the private-purpose trust funds are accounted for in essentially the same manner as proprietary funds. The City accounts for the cost of decorating specific graves as designated by individual donors in a Cemetery Bequest and Endowment Fund.
2. **Agency Funds** - Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City's agency fund accounts for the Mentor Municipal Court.
3. **Other Fiduciary Funds** - Other fiduciary funds include pension trust funds and investment trust funds. During 2004, the City did not utilize any such trust funds.

Fiduciary Funds are not included in the government-wide statements.

C. *Measurement focus and basis of accounting*

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, property taxes, grants, shared revenue, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the taxpayer's liability occurs and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. On an accrual basis, revenue in the form of shared revenue is recognized when the provider government recognizes its liability to the City. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a cost reimbursement basis.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City generally

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are generally recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

In applying the susceptible-to-accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days after year-end and available to pay obligations of the current period): income taxes, investment earnings, and shared revenues. Reimbursements due for federal or state funded projects are accrued as revenue at the time the expenditures are made or, when received in advance, deferred until expenditures are made. Property taxes and special assessments, though measurable, are not available to finance current period obligations. Therefore, property tax and special assessment receivables are recorded and deferred until they become available. Other revenues, including licenses, fees, fines and forfeitures and charges for services are recorded as revenue when received in cash because they are generally not measurable until actually received.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. *Budgetary Procedures*

Budgetary Process: The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance. These budgetary documents are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified. The tax budget and appropriation ordinance are prepared under the direction of the City Manager and submitted to City Council for adoption. Budgeted expenditures represent original appropriations as modified by adjustments during the year. The primary level of budgetary control is at the departmental level. Budget revisions within appropriated amounts are subject to the approval of the City Manager. Changes in a department's total appropriation require action by City Council. For the year ended December 31, 2004, expenditures did not exceed appropriations in any individual department.

Tax Budget: A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources: The County Budget Commission certifies its actions to the City by September 1. As part of this process, the City receives the official certificate of estimated resources which states the projected cash receipts of each fund. On or about January 1, this certificate is amended to include actual unencumbered cash balances from the preceding year.

Appropriations: A temporary appropriation ordinance to control expenditures (expenses) may be passed on or about January 1 for the period through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance may be

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

amended during the year as new information becomes available, provided that total appropriations do not exceed certified estimated resources, as amended. At the end of the fiscal year, all unexpended and unencumbered balances of operating appropriations revert to the fund from which the original appropriation was made, where they become available for future appropriation. Appropriations are adopted by City Council for all funds except the Municipal Court Fund (Agency Fund); however, the City is only required to report herein on the budget adopted for the General Fund.

GAAP/Budget Reconciliation: The City's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (GAAP basis). The major differences between the budgetary basis and the GAAP basis is that financial transactions are recorded on a cash and encumbrance basis (budgetary basis) as opposed to when susceptible to accrual (GAAP).

A reconciliation of the General Fund's results of operations for 2004 reported on the budget basis versus the GAAP basis is as follows:

<u>Net Change in Fund Balance</u>	
Budget basis	\$ (2,218,195)
Adjustments:	
Revenue accruals	(828,725)
Expenditure accruals	799,568
Encumbrances	<u>1,420,687</u>
GAAP basis	<u>\$ (826,665)</u>

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the future expenditure of funds are recorded in order to reserve a portion of the applicable appropriation, is utilized during the year for budget control purposes. Encumbrances outstanding at year-end are reported as expenditures under the City's budgetary basis of accounting.

The City honors the contracts represented by year-end encumbrances, and the related appropriations are carried forward to the succeeding year. For governmental fund financial statements reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

The budget and actual expenditures included in the General Fund budgetary statement include all expenditures made during the year under the City's budgetary basis of accounting, including expenditures made in the current year that were encumbered and appropriated in the prior year.

E. ***Other Significant Accounting Policies***

Cash and Investments: Cash resources of certain individual funds are combined to form a pool of cash and investments which is managed by the Director of Finance. Interest earned on pooled cash and investments is credited to the General Fund, (except in cases where state law or City ordinances require

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

that the income be allocated to certain specific funds, utilizing a formula based on the month-end balance of each fund).

The City reports its investments at fair value based on quoted market values and recognizes the corresponding change in the fair value of the investments as investment earnings in the year in which the change occurs.

Inventory: Inventory is valued at cost using the first-in, first-out (FIFO) method and consists of expendable supplies held for consumption and items held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund financial statements at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net assets.

Capital Assets: Capital assets, which include land, land improvements, buildings (including renovations and improvements), equipment, and infrastructure assets are reported in the governmental activities column in the government-wide financial statements to the extent the City’s capitalization threshold is met. The City defines capital assets as assets with an estimated useful life in excess of five years (except vehicles) and an individual cost of more than \$1,000. Assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed fixed assets are recorded at their estimated fair market value on the date contributed.

As permitted under the implementation provisions of GASB Statement No. 34, the historical cost of infrastructure assets acquired, significantly reconstructed or that received significant improvements prior to January 1, 1980 have not been included as part of governmental capital assets in the government-wide financial statements.

Costs for maintenance and repairs are expensed when incurred. However, costs for repairs and upgrades that materially add to the value or life of an asset and meet the above criteria are capitalized.

The City depreciates capital assets on a straight-line basis using the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings and improvements	20-40
Equipment	3-20
Infrastructure	25-50

Compensated Absences: The City accrues for accumulated, unpaid vacation and sick leave earned using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. In the government-wide financial statements, the entire amount of unpaid vacation and sick leave is reported as a liability. A liability for accumulated, unpaid vacation and sick leave is accrued in the governmental fund financial statements only if the amount is currently due and payable at year end. These amounts are recorded as accrued payroll and employee benefits in the fund from which the employees who have accumulated leave are paid. The remaining portion of the liability is not reported in the governmental fund financial statements.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

Normally, all vacation time is to be taken in the year available unless approval for carryover is obtained. City employees also earn sick leave which, if not taken, accumulates until retirement. Upon retirement, an employee with ten or more years of service is paid one-third of accumulated sick leave, subject to certain limitations, calculated at current wage rates.

Long-Term Obligations: In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Losses on advance refundings are deferred and amortized over the life of the new debt, or the life of the advance refunded debt, whichever is shorter. Bonds payable are reported net of the applicable unamortized bond premium, discount or advance refunding losses. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized as revenues or expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

Fund Balances: In the governmental fund financial statements, reservations of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Grants and Other Intergovernmental Revenues: Grants and assistance awards made on the basis of entitlement programs are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures (expenses) are incurred.

Interfund Transactions: During the course of normal operations, the City has numerous transactions between funds, including the allocation of centralized expenses and transfers of resources to provide services, construct assets and service debt. Such transactions are generally reflected as transfers or direct expenses of the fund that is ultimately charged for such costs.

F. **Recently Issued Accounting Pronouncements**

For 2004, the City has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post-employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government. GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of GASB Statement No. 39, GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements of the City.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

During March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*. This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The City has not determined the impact, if any, that this statement will have on its financial statement disclosures.

During November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. Under provisions of this Statement, a capital asset is considered impaired when its service has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2004. The City has not determined the impact, if any, that this Statement will have on its financial statements.

NOTE 3 – RESTATEMENT OF PRIOR YEAR FUND BALANCE

At December 31, 2003, governmental fund balances were restated as a result of the reclassification of Heisley Road improvements funded by a federal grant from the General Fund to a Capital Project Fund. The reclassification has the following effect on fund balances of the City as they were previously reported.

	General	Special Assessment Bond Retirement	Heisley Road Improvement	Nonmajor Funds	Total Governmental
Fund Balance, December 31, 2003	\$18,088,836	\$219,219	\$ -	\$3,371,431	\$21,679,486
Fund Reclassifications	326,045	-	(326,045)	-	-
Restated Fund Balance, December 31, 2003	<u>\$18,414,881</u>	<u>\$219,219</u>	<u>\$ (326,045)</u>	<u>\$3,371,431</u>	<u>\$21,679,486</u>

NOTE 4 - CASH AND INVESTMENTS

The City's cash and investment policy is governed by the provisions of the Charter and Codified Ordinances of the City and the Ohio Revised Code. These permit the City to invest its moneys in certificates of deposit, savings accounts, certain money market funds, bankers acceptances, obligations of the U.S. government, U.S. government agencies and government sponsored enterprises, and repurchase agreements backed by securities of the U.S. government or certain agencies or sponsored enterprises thereof. The City also may invest in shares of three mutual funds which invest in corporate and GNMA bonds: Vanguard Short-Term Corporate Fund, Vanguard Intermediate-Term Corporate Fund, and Vanguard GNMA Fund.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

In accordance with the above mentioned statutes, public depositories must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation or may pledge a pool of securities with a statutory value of at least 105 percent of the total uninsured amount of public moneys on deposit at the institution. Repurchase agreements are secured by the specific government security acquired under the repurchase agreement. Bankers acceptances are secured by the specific property covered by the bankers acceptance. All collateral, whether specific or pooled, is held by a Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the City.

Deposits: Under the provisions of Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, deposits are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) collateralized with securities held by pledging financial institution's trust department or agent in the entity's name, or (3) uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the entity's name. At December 31, 2004, the carrying amount of the City's deposits including certificates of deposit was \$1,567,869 and the bank balance was \$3,003,447 of which \$312,000 was covered by Federal depository insurance and \$2,691,447 was uninsured and uncollateralized as defined by GASB. The uncollateralized deposits were, however, covered by a pledged collateral pool not held in the City's name, as permitted under Ohio law. Although the securities were held by the pledging financial institution's trust department or agent in the financial institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments: The City's investments are categorized as follows in accordance with the provisions of GASB Statement No. 3 to give an indication of the level of credit risk assumed by the City at year end. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name; Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the City's name; and Category 3 includes uninsured and unregistered investments, with securities held by the counterparty, or its trust department or agent but not in the City's name.

The City's investments are shown below:

<u>Type of Investment</u>	<u>Category</u>	<u>Fair Value</u>	<u>Cost</u>
U. S. government securities	1	\$ 1,032,940	\$ 1,042,875
Federal Home Loan Bank securities	3	1,206,756	1,200,003
Fannie Mae securities	3	1,032,230	994,920
Federal Home Loan Mortgage Corporation securities	3	503,820	498,750
Banker's Acceptances	3	421,813	421,813
Vanguard Short-Term Corporate Fund	N/A	4,993,195	5,000,000
Vanguard Intermediate-Term Corporate Fund	N/A	4,267,766	4,000,000
Vanguard GNMA Fund	N/A	3,088,293	3,000,000
STAROhio	N/A	<u>1,018,955</u>	<u>1,018,955</u>
Total Investments		17,565,768	17,177,316
Total Deposits		<u>1,567,869</u>	<u>1,567,869</u>
Total Deposits and Investments		<u>\$ 19,133,637</u>	<u>\$ 18,745,185</u>

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

STAROhio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. This investment is not classified by credit risk category because it does not exist in physical or book entry form. The fair value of the City's position in the investment pool is equal to the fair value of the underlying assets of the pool. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

The three Vanguard investments are no-load mutual funds that are registered with the Securities and Exchange Commission as investment companies. The fair value of the City's position in these funds is equal to the fair value of the underlying assets of each. These investments are not classified by credit risk category because they do not exist in physical or book entry form.

Reconciliation to Financial Statements: Total cash and investments are reported as follows:

Government-Wide Financial Statements

Unrestricted:
Cash and investments \$ 19,067,139

Fund Financial Statement

Balance Sheet-Governmental Funds:
Cash and investments \$ 19,067,139

Statement of Fiduciary Net Assets:
Cash 66,498

Total \$ 19,133,637

NOTE 5 – RECEIVABLES AND DEFERRED REVENUE

Receivables consist of the following at December 31, 2004:

	Income Taxes	Property Taxes	Special Assessments	Other	Gross Receivables	Allowance for Uncollectibles	Net
Governmental Activities							
Governmental Funds							
General Fund	\$ 7,247,330	\$ 2,148,194	\$ -	\$ 900,594	\$ 10,296,118	\$ (324,400)	\$ 9,971,718
Special Assessment							
Bond Retirement Fund	-	-	11,950,666	-	11,950,666	(10,738)	11,939,928
Other Governmental							
Funds	<u>-</u>	<u>3,375,561</u>	<u>16,850</u>	<u>50,995</u>	<u>3,443,406</u>	<u>(2,966)</u>	<u>3,440,440</u>
Total Receivables	<u>\$ 7,247,330</u>	<u>\$ 5,523,755</u>	<u>\$ 11,967,516</u>	<u>\$ 951,589</u>	<u>\$ 25,690,190</u>	<u>\$ (338,104)</u>	<u>\$ 25,352,086</u>

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

Governmental fund financial statements report deferred revenue pertaining to receivables that are not considered to be available to liquidate liabilities of the current period. Revenue recognition is also deferred with respect to grant revenues that have been received, but all eligibility requirements have not been met. For purposes of the government-wide financial statements, the availability criteria is not considered in determining deferred revenue.

The various components of deferred revenue reported in the accompanying financial statements were as follows:

	<u>Government-Wide Statement of Net Assets</u>	<u>Governmental Funds Balance Sheet</u>
Governmental Funds:		
General Fund:		
Property tax receivable	\$ 1,824,670	\$ 1,824,670
Income tax receivable	-	2,814,506
State shared revenue receivable	-	1,317,446
Intergovernmental revenue receivable	<u>-</u>	<u>509,865</u>
Total General Fund	<u>1,824,670</u>	<u>6,466,487</u>
Special Assessment Bond Retirement Fund:		
Special assessment receivable and land held for resale	<u>3,368,303</u>	<u>12,064,142</u>
Other Governmental Funds:		
Property tax receivable	3,375,561	3,375,561
Special assessment receivable	14,425	14,425
State shared revenue receivable	-	922,375
Intergovernmental revenue receivable	<u>-</u>	<u>447,885</u>
Total other governmental funds	<u>3,389,986</u>	<u>4,760,246</u>
Total Deferred Revenue	<u>\$ 8,582,959</u>	<u>\$ 23,290,875</u>

NOTE 6 – MUNICIPAL COURT

The Mentor Municipal Court was created by Section 1901.2 of the Ohio Revised Code and has territorial jurisdiction over the City of Mentor and the City of Mentor-on-the-Lake. The Mentor Municipal Court has preliminary hearing jurisdiction in felony cases, original jurisdiction in civil cases when the amount in dispute does not exceed \$15,000, original jurisdiction in traffic and non-traffic misdemeanor cases, and exclusive original jurisdiction in small claims cases.

The collection activities of the Municipal Court are accounted for in a separate Agency Fund in the accompanying basic financial statements. Fines and costs collected by the Municipal Court and related to the City of Mentor are recorded as revenue in the General Fund. The costs associated with the operations of the Municipal Court are borne by the City and recorded in the General Fund. Fines and costs collected for the State of Ohio, subdivisions thereof, and individuals, which have not been disbursed as of year-end, are recognized as liabilities in the Municipal Court Agency Fund.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

NOTE 7 – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
	(Amount in 000's)			
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 52,354	\$ 441	\$ -	\$ 52,795
Construction in progress	<u>5,871</u>	<u>156</u>	<u>(5,517)</u>	<u>510</u>
Total capital assets, not being depreciated	<u>58,225</u>	<u>597</u>	<u>(5,517)</u>	<u>53,305</u>
Capital assets, being depreciated:				
Land improvements	6,798	26	-	6,824
Buildings and improvements	39,850	56	-	39,906
Equipment	17,564	1,418	(24)	18,958
Infrastructure	<u>92,482</u>	<u>11,540</u>	<u>-</u>	<u>104,022</u>
Cost	<u>156,694</u>	<u>13,040</u>	<u>(24)</u>	<u>169,710</u>
Less accumulated depreciation for:				
Land improvements	(4,629)	(235)	-	(4,864)
Buildings and improvements	(11,114)	(1,087)	-	(12,201)
Equipment	(10,243)	(1,529)	24	(11,748)
Infrastructure	<u>(23,775)</u>	<u>(2,103)</u>	<u>-</u>	<u>(25,878)</u>
Total accumulated depreciation	<u>(49,761)</u>	<u>(4,954)</u>	<u>24</u>	<u>(54,691)</u>
Total accumulated assets being depreciated, net	<u>106,933</u>	<u>8,086</u>	<u>-</u>	<u>115,019</u>
Capital assets, net	<u>\$ 165,158</u>	<u>\$ 8,683</u>	<u>\$ (5,517)</u>	<u>\$ 168,324</u>

Depreciation: Depreciation expense was charged to functions/programs of the government as follows:

	(Amounts in 000's)
Governmental Activities:	
General government	\$ 139
Police	569
Fire	551
Streets and highways	2,469
Parks, recreation and public lands	1,173
Community development	12
Engineering and building	<u>41</u>
Total depreciation expense charged to governmental activities	<u>\$ 4,954</u>

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

NOTE 8 – DEBT AND OTHER LONG-TERM OBLIGATIONS

A summary of the changes in the debt and other long-term obligations of the City during the year ended December 31, 2004 is as follows:

	Balance January 1, 2004	Additions	(Reductions)	Balance December 31, 2004	Due Within One Year
Governmental Activities					
General Obligation Bonds due through 2017, 2% to 9.125%	\$ 18,160,824	\$ 5,808,974	\$ (6,821,904)	\$ 17,147,894	\$ 1,342,974
Special Assessment Bonds due through 2022, 2% to 9.625%	9,439,176	76,026	(858,096)	8,657,106	832,026
Other Obligations:					
Compensated absences	2,423,147	249,767	(61,403)	2,611,511	1,179,911
Claims and judgments	50,000	-	-	50,000	-
Capital projects notes payable	<u>20,000</u>	<u>188,111</u>	<u>(10,000)</u>	<u>198,111</u>	<u>10,000</u>
 Total Debt and Other Long-Term Obligations	 <u>\$ 30,093,147</u>	 <u>\$ 6,322,878</u>	 <u>\$ (7,751,403)</u>	 <u>\$ 28,664,622</u>	 <u>\$ 3,364,911</u>

During October 2004 the City issued \$5,885,000 of Various Purpose Refunding Bonds dated as of October 1, 2004 with interest rates varying from 2% to 5%. The proceeds were used to refund \$2,245,000 of the outstanding 1993 bond issue with interest rates from 5.25% to 5.65% and \$3,435,000 of the outstanding 1996 bond issue with interest rates from 5.5% to 5.6%

The City did the refunding to reduce its total debt service payments 2005-2016 by \$558,816. The economic gain from the refunding (the difference between the present values of the old and new debt service payments) is \$470,981.

The proceeds from the refunding bonds issued in 2004 were deposited irrevocably with an escrow agent to provide for redemption of the refunded bonds on their call dates and for their interim debt service until their call dates. As a result the refunded bonds totaling \$5,680,000 are considered defeased.

General obligation bonds will be paid from certain ad valorem taxes and other revenue sources deposited into the debt service fund. The special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event property owners would fail to pay the assessment, payment would be made by the City. Compensated absences, claims and judgements, and capital projects notes payable will be paid from the General Fund. There were no claims and judgements due within one year.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

Bonds payable at December 31, 2004 are comprised of the following issues:

	<u>Amount of Original Issuance</u>	<u>Outstanding December 31, 2004</u>
Governmental Activities Obligations:		
General unvoted obligations:		
1985 Police Facilities Bonds due in annual installments of \$170,000 through 2005, plus interest at 9.125%	\$ 3,200,000	\$ 170,000
1985 Community Center Bonds due in annual installments of \$125,000 through 2006, plus interest at 9.125%	2,500,000	250,000
1991 Street Improvement Bonds due in annual installments ranging from \$8,995 to \$26,728 through 2011, plus interest at rates varying between 6.5% to 7.15%	302,489	153,679
1996 Various Purpose Improvement Bonds due in annual installments ranging from \$127,123 to \$400,926 through 2016, plus interest at rates varying from 5.5% to 5.6%	4,860,000	210,241
1997 Various Purpose Acquisition and Improvement Bonds due in annual installments of \$370,000 to \$1,125,000 through 2017, plus interest at rates varying between 4.8% to 5.25%	13,680,000	10,555,000
2004 Various Purpose Refunding Bonds due in annual installments ranging from \$260,000 to \$622,364 through 2016 plus interest at rates varying between 2% to 5%	5,808,974	5,808,974
Total general obligation bonds	<u>30,351,463</u>	<u>17,147,894</u>
Special assessment obligations:		
1985 Great Lakes-East Avenue-Heisley Commerce Street Improvement Bonds due in annual installments of \$130,000 through 2006, plus interest at 9.625%	2,525,000	260,000
1987 Tyler Boulevard-White Oak Drive Improvement Bonds due in annual installments of \$85,000 to \$210,000 through 2007, plus interest at 7.9%	2,240,000	585,000
1991 Street Improvement Bonds due in annual installments ranging from \$166,005 to \$493,272 through 2011, plus interest at rates varying between 6.7% to 7.15%	5,582,511	2,836,321
1993 Various Purpose Improvement Bonds due in annual installments ranging from \$17,136 to \$46,795 through 2013, plus interest at rates varying between 5% to 5.65%	580,000	340,000
1996 Various Purpose Improvement Bonds due in annual installments ranging from \$2,877 to \$9,074 through 2016, plus interest at rates varying between 5.4% to 5.6%	110,000	4,759
2002 Tyler Boulevard Extension Bonds due in annual installments ranging from \$145,000 to \$375,000 through 2022, plus interest at rates varying between 3% to 4.7%	4,850,000	4,555,000
2004 Various Purpose Refunding Bonds due in annual installments ranging from \$260,000 to \$622,364 through 2016 plus interest at rates varying between 2% and 5%	76,026	76,026
Total special assessment bonds	<u>15,963,537</u>	<u>8,657,106</u>
Total bonds	<u>\$ 46,315,000</u>	<u>\$ 25,805,000</u>

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

All bonds outstanding are backed by the full faith and credit of the City. It is the City's policy to pay debt service on the special assessment bonds from the related special assessment levies and any amounts being held in the Special Assessment Bond Retirement Fund, which are reserved for debt service.

The following is a summary of the City's future debt service requirements as of December 31, 2004:

Year Ending December 31	Governmental Activities				Total
	General		Special		
	Obligation Bonds		Assessment Bonds		
	Principal	Interest	Principal	Interest	
2005	\$ 1,342,974	\$ 820,399	\$ 832,026	\$ 495,161	\$ 3,490,560
2006	1,238,927	719,092	876,073	436,881	3,270,973
2007	1,164,991	666,729	800,009	376,371	3,008,100
2008	1,220,833	622,710	624,167	324,476	2,792,186
2009	1,272,411	573,433	667,589	286,704	2,800,137
2010-2014	6,980,463	1,983,202	2,299,537	873,461	12,136,663
2015-2019	3,927,295	397,150	1,482,705	457,414	6,264,564
2020-2024	-	-	1,075,000	102,525	1,177,525
	<u>\$ 17,147,894</u>	<u>\$ 5,782,715</u>	<u>\$ 8,657,106</u>	<u>\$ 3,352,993</u>	<u>\$ 34,940,708</u>

Under the Ohio Revised Code, at December 31, 2004, the City legally could issue approximately \$70.3 million of additional, unvoted, general obligation debt.

Conduit Debt: From time to time, the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from the payments received by the bond trustee on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The bonds do not constitute a debt or pledge of the faith and credit of the City and, accordingly, have not been reported in the accompanying financial statements.

As of December 31, 2004, there were four series of industrial revenue bonds outstanding. The aggregate principal amount payable for the three series issued since July 1, 1995, was \$6.7 million. The aggregate principal amount payable for the series issued prior to July 1, 1995, could not be determined; however the original issue amount totaled \$1.6 million.

NOTE 9 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2004, the Hopkins Road/Bridge Improvements Capital Project Fund had a deficit fund balance of \$298,179. In addition, the Community Development Block Grant 00-01 Special Revenue Fund had a deficit fund balance of \$1,885. These deficits will be eliminated through the receipt of grant proceeds during 2005. No other funds had deficit balances at December 31, 2004.

NOTE 10 – RISK MANAGEMENT

Self Insurance: The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to dental benefits provided to City employees and their covered dependents. The City is also self-insured for the cost of collision claims resulting from the use of City vehicles, except for fire and rescue vehicles that remain insured through a private insurance company. In accordance with GASB Statement No. 10, claims liabilities are reported

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (“IBNRs”). Claims that meet this criteria are reported as liabilities in the government-wide statement of net assets.

The process of estimating claims liabilities depends on many complex factors, such as inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries from subrogation or otherwise, are another component of the claims liability estimate.

The City’s financial activity relating to its self-insured risks is accounted for in the General Fund.

Changes in the estimated claims payable for self-insured risks (employee dental benefits) during the years ended December 31, 2004 and 2003 were as follows:

	<u>2004</u>	<u>2003</u>
Estimated claims payable, January 1	\$ 40,766	\$ 35,896
Current year claims (including IBNRs) and changes in estimates	282,984	226,870
Claim payments	<u>(277,500)</u>	<u>(222,000)</u>
Estimated claims payable, December 31	<u>\$ 46,250</u>	<u>\$ 40,766</u>

Insurance: The City purchases insurance policies in varying amounts for general liability, property damage, employee health care benefits (excluding dental benefits), and employee and police officials’ liability, including errors and omissions of the City’s safety forces. Otherwise, the City is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2004. There was no significant decrease in any insurance coverages in 2004. In addition, there were no insurance settlements in excess of insurance coverage during the past three fiscal years.

The City provides the choice of two separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio Workers’ Compensation program to provide workers’ compensation benefits to its employees.

NOTE 11 – CONTINGENCIES

The City participates in certain federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies should an audit be performed cannot be determined at this time, although the City expects any disallowance would be immaterial.

In addition, there are certain pending lawsuits in which the City is involved. The City’s management, after consultation with the city’s Law Director, is of the opinion that potential uninsured claims against the City are not material to the City’s basic financial statements.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

NOTE 12 – INTERFUND TRANSACTIONS AND BALANCES

Interfund Transactions: During the course of normal operations, the City records numerous transactions between funds including expenditures and transfers of resources to provide services, subsidize operations, and service debt. The City has the following types of transactions among funds:

- (1) Nonreciprocal interfund transfers – Flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. This includes transfers to subsidize various funds.
- (2) Nonreciprocal interfund reimbursements – Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

For the year ended December 31, 2004 transfers consisted of the following:

	Transfers Out	Transfers In	
		Other Governmental Funds	Total Governmental Funds
	Total		
Governmental Funds:			
Other governmental	\$ 1,134,349	\$ 1,134,349	\$ 1,134,349

Interfund balances: Interfund balances at December 31, 2004 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. All are expected to be paid within one year.

Interfund receivable and payable balances as of December 31, 2004 are as follows:

	Due To	Due From		
		General Fund	Other Governmental Funds	Total
	Total			
Governmental Funds:				
General	\$ -	\$ 538,456	\$ -	\$ 538,456
Special Assessment Bond Retirement	1,714	-	-	-
Other governmental	537,580	-	838	838
Total	\$ 539,294	\$ 538,456	\$ 838	\$ 539,294

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

NOTE 13 - TAXES

Income Taxes – A two percent City income tax is levied on substantially all income earned within the City. On May 7, 2002, the two percent income tax was renewed by the voters for a five year period through December 31, 2007. In addition, the residents of the City are required to pay City income tax on income they earn outside the City; however, full credit is allowed for all income taxes these residents pay to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit the tax to an intermediary collection agency (Central Collection Agency) at least quarterly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the collection agency. The collection agency remits taxes collected for the City each month, net of a charge for the cost of services and a credit for interest earned on amounts collected between remittances.

Property Taxes – Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied in October of the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued by appraisal every six years and, three years after each revaluation, all property values are reviewed and revised, as necessary, as part of a triennial update based on recent sales of properties. The last revaluation was completed in 2003. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20, with the remainder payable June 20. In certain instances, State statute permits earlier or later payment dates to be established.

Personal property (other than public utility) taxes are levied in October of the preceding calendar year based on tax rates determined in the preceding year and assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 23 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

Public utility real and tangible personal property taxes collected in one calendar year are levied in October of the preceding calendar year on assessed values determined as of December 31 of that preceding year, the lien date.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mentor. The County Auditor periodically remits to the City its portion of taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

The assessed value upon which the 2003 levy (collected in 2004) was based was approximately \$1.6 billion. Ohio law limits unvoted property taxation, combined for all overlapping taxing authorities, to 10 mills. The City's current share of the unvoted property tax is 3 mills of assessed value, and the City's total property tax levy, including all voted levies, is 4.50 mills of assessed value.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

NOTE 14 – DEFINED BENEFIT PENSION PLANS

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar years 2004, 2003, and 2002 the employer pension contribution rates for the City were 13.55 percent of covered payroll. Contributions are authorized by State statute and the contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$1,777,360, \$1,783,700 and \$1,676,300, respectively; 74 percent has been contributed for 2004 and 100 percent for 2003 and 2002.

Ohio Police and Fire Pension Fund: The City contributes to the Ohio Police and Fire Pension Fund ("OP&F"), a cost sharing multiple employer defined benefit pension plan administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$992,570 and \$1,177,357 for the year ended December 31, 2004, \$925,586 and \$1,112,261 for the year ended December 31, 2003, and \$853,881 and \$1,053,113 for the year ended December 31, 2002, respectively, equal to the required payments for each year. The full amount has been contributed for 2003 and 2002. 71 percent for police and 72 percent for firefighters has been contributed for 2004.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System: The Ohio Public Employees Retirement System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. Of the 2004 employer contribution rate of 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health postretirement care benefits for 2004.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 1 to 6 percent annually for the next 8 years and 4 percent annually after 8 years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. At December 31, 2004, the number of active contribution participants in OPERS was 369,885. The City's actual contributions for 2004, which were used to fund postemployment benefits, were \$524,677. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarial liability and the unfunded actuarial liability were \$26.9 billion and \$16.4 billion, respectively. On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care cost.

Ohio Police and Fire Pension Fund: The Ohio Police and Fire Pension Fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a two thirds basis.

The health care coverage provided by the OP&F is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code permits the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. Of the total police employer contribution of 19.5 percent of covered payroll and the total firefighter employer contribution of 24 percent of covered payroll, 7.75 percent of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund post employment benefits were \$394,050 for police and \$380,286 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2003 (the

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

latest information available) were \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003 was 13,662 police and 10,474 firefighters.

NOTE 16 – SUBSEQUENT EVENTS

In January 2005, the City issued \$6,250,000 notes, in anticipation of the issuance of bonds for purpose of acquiring the Black Brook Country Club Golf Course property.

CITY OF MENTOR, OHIO

**GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
REVENUES:				
Property taxes	\$ 1,590,400	\$ 1,590,400	\$ 1,568,881	\$ (21,519)
Municipal income tax	27,754,000	27,754,000	26,935,407	(818,593)
Intergovernmental	6,924,173	6,924,173	4,875,648	(2,048,525)
Charges for services	2,652,925	2,652,925	2,673,117	20,192
Fines and forfeitures	1,210,000	1,210,000	1,162,683	(47,317)
Licenses, permits, and inspections	1,069,800	1,069,800	1,142,216	72,416
Investment income	832,000	832,000	758,355	(73,645)
Other	<u>26,000</u>	<u>26,000</u>	<u>1,755,424</u>	<u>1,729,424</u>
Total revenues	<u>42,059,298</u>	<u>42,059,298</u>	<u>40,871,731</u>	<u>(1,187,567)</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
Council:				
Employee compensation	195,180	212,632	190,040	22,592
Other	<u>172,745</u>	<u>177,245</u>	<u>168,874</u>	<u>8,371</u>
Total council	<u>367,925</u>	<u>389,877</u>	<u>358,914</u>	<u>30,963</u>
Court:				
Employee compensation	749,750	749,750	724,913	24,837
Other	<u>356,052</u>	<u>356,052</u>	<u>299,555</u>	<u>56,497</u>
Total court	<u>1,105,802</u>	<u>1,105,802</u>	<u>1,024,468</u>	<u>81,334</u>
City manager:				
Employee compensation	1,124,070	1,124,070	998,358	125,712
Other	<u>809,748</u>	<u>851,248</u>	<u>738,227</u>	<u>113,021</u>
Total city manager	<u>1,933,818</u>	<u>1,975,318</u>	<u>1,736,585</u>	<u>238,733</u>
Finance:				
Employee compensation	799,880	799,880	777,260	22,620
Other	<u>1,591,073</u>	<u>1,591,073</u>	<u>1,496,256</u>	<u>94,817</u>
Total finance	<u>2,390,953</u>	<u>2,390,953</u>	<u>2,273,516</u>	<u>117,437</u>
Legal:				
Employee compensation	292,320	292,320	281,546	10,774
Other	<u>350,520</u>	<u>375,520</u>	<u>283,215</u>	<u>92,305</u>
Total legal	<u>642,840</u>	<u>667,840</u>	<u>564,761</u>	<u>103,079</u>
Other	<u>1,680,000</u>	<u>906,843</u>	<u>630,072</u>	<u>276,771</u>
Total general government	<u>8,121,338</u>	<u>7,436,633</u>	<u>6,588,316</u>	<u>848,317</u>

CITY OF MENTOR, OHIO

GENERAL FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
POLICE:				
Employee compensation	\$ 7,126,620	\$ 7,126,620	\$ 6,971,292	\$ 155,328
Other	3,313,613	3,313,613	3,094,436	219,177
Total police	<u>10,440,233</u>	<u>10,440,233</u>	<u>10,065,728</u>	<u>374,505</u>
FIRE:				
Employee compensation	5,534,560	5,534,560	5,242,943	291,617
Other	3,008,848	3,059,173	2,741,246	317,927
Total fire	<u>8,543,408</u>	<u>8,593,733</u>	<u>7,984,189</u>	<u>609,544</u>
STREETS AND HIGHWAYS:				
Employee compensation	3,107,670	3,107,670	2,989,191	118,479
Other	7,535,880	7,781,146	4,550,055	3,231,091
Total streets and highways	<u>10,643,550</u>	<u>10,888,816</u>	<u>7,539,246</u>	<u>3,349,570</u>
PARKS, RECREATION AND PUBLIC LANDS:				
Employee compensation	3,718,830	3,718,830	3,441,990	276,840
Other	4,893,401	4,988,401	4,056,785	931,616
Total parks, recreation and public lands	<u>8,612,231</u>	<u>8,707,231</u>	<u>7,498,775</u>	<u>1,208,456</u>
COMMUNITY DEVELOPMENT:				
Employee compensation	801,290	788,590	722,763	65,827
Other	398,568	478,068	416,365	61,703
Total community development	<u>1,199,858</u>	<u>1,266,658</u>	<u>1,139,128</u>	<u>127,530</u>
ENGINEERING AND BUILDING:				
Employee compensation	1,347,310	1,347,310	1,146,244	201,066
Other	1,341,594	1,341,594	1,042,232	299,362
Total engineering and building	<u>2,688,904</u>	<u>2,688,904</u>	<u>2,188,476</u>	<u>500,428</u>
Total expenditures	<u>50,249,522</u>	<u>50,022,208</u>	<u>43,003,858</u>	<u>7,018,350</u>
Excess (deficiency) of revenues over expenditures	<u>(8,190,224)</u>	<u>(7,962,910)</u>	<u>(2,132,127)</u>	<u>5,830,783</u>
OTHER FINANCING SOURCES (USES):				
Advances in	588,000	588,000	451,513	(136,487)
Advances out	-	(537,581)	(537,581)	-
Total other financing sources (uses)	<u>588,000</u>	<u>50,419</u>	<u>(86,068)</u>	<u>(136,487)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(7,602,224)</u>	<u>(7,912,491)</u>	<u>(2,218,195)</u>	<u>5,694,296</u>
Adjustment for prior year encumbrances	2,587,111	2,587,111	2,587,111	-
FUND BALANCES, BEGINNING OF YEAR	<u>9,555,759</u>	<u>9,555,759</u>	<u>9,555,759</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,540,646</u>	<u>\$ 4,230,379</u>	<u>\$ 9,924,675</u>	<u>\$ 5,694,296</u>

CITY OF MENTOR, OHIO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City's special revenue funds are described below:

Street Fund	Required by the Ohio Revised Code to account for that portion of the motor vehicle registration fees and state gasoline tax designated for the construction, maintenance, and repairs of streets and highways.
Police Pension Fund	To accumulate property taxes levied toward partial payment of the current liability for police disability and pension benefits.
Fire Pension Fund	To accumulate property taxes levied toward partial payment of the current liability for fire fighters' disability and pension benefits.
Fire Levy Fund	To accumulate property taxes levied for the purpose of providing and maintaining fire equipment and for the payment of salaries and expenses of permanent and part-time firefighters.
Senior Citizens Services Levy Fund	To account for property taxes levied by Lake County and distributed to the City for the purpose of providing funding for senior citizen projects and operating costs of the City's Senior Citizens Center.
Community Recreation Facilities Fund	To provide funds for debt service relating to recreational facilities.
Cemetery Fund	To account for monies received from the sale of cemetery lots and designated for the enlargement, improvement, embellishment, and care of cemetery grounds.
Economic Development Fund	To account for monies paid to the City in conjunction with the Mentor Economic Assistance Corporation, as certified by the Small Business Administration.
Subdivision Street Tree Fund	To accumulate subdivision fees to be used for planting trees to beautify the City.
Street Lighting Fund	To accumulate street lighting assessment revenues levied for payment of current street lighting operating costs.
Court Computer Fund	To accumulate fees collected for computerization of the Mentor Municipal Court.
Court Special Projects Fund	To accumulate filing fees collected for special projects of the Mentor Municipal Court.
Enforcement and Education Fund	To account for fines received from the Mentor Municipal Court to be used by the Mentor Police Department to cover costs incurred in enforcing DUI laws and educating the public regarding such laws.

SPECIAL REVENUE FUNDS (Continued)

Court Probation Services Fund	To accumulate probation fees collected for the operation of Mentor Municipal Court's Probation Department.
Indigent Driver Alcohol Treatment Fund	To account for fines and fees received from the Mentor Municipal Court and the Ohio Department of Alcohol and Drug Addiction Services for the purpose of providing indigent drivers with alcohol and/or drug treatment.
Law Enforcement Trust Fund	To account for monies received from the seizure and sale of contraband and property used in criminal activity.
Police Canine Fund	To account for monies received from the Ortrud Higgins Trust for the Police Department's canine unit.
Seat Belt Grant Fund	To account for monies received from the Ohio Department of Highway Safety for the encouragement of seat belt use.
VOCA Victims Assistance Grant 03-04 Fund	To account for monies received from the Crime Victims Assistance Office to assist victims of crime.
VOCA Victims Assistance Grant 04-05 Fund	To account for monies received from the Crime Victims Assistance Office to assist victims of crime.
Community Development Block Grant 98-99 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 99-00 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 00-01 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 01-02 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 02-03 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 03-04 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 04-05 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Forfeited Property – U.S. Department of Justice Fund	To account for shared federally forfeited property proceeds received from the U.S. Department of Justice.

SPECIAL REVENUE FUNDS (Continued)

Council Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes or programs provided by City Council.
Police Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes or programs provided by the Police Department.
Fire Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes or programs provided by the Fire Department.
Senior Citizens Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes provided by the Mentor Senior Citizens Center.
Cultural Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes or programs provided by the Wildwood Cultural Center.
Beautification Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes or programs provided by the City of Mentor’s Beautification Commission.
IBIM Festival Fund	To account for revenue received from the It’s Better in Mentor Festival to cover the cost of operating the festival.

DEBT SERVICE FUNDS

General Obligation Bond Retirement Fund	To accumulate property taxes levied toward retirement of outstanding general obligation debt.
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CAPITAL PROJECT FUNDS

Garfield Road Improvements Fund	To account for the financing of road improvements on Garfield Road from State Route 84 to the City’s southern corporation limit.
Chillicothe Road Widening & Resurfacing Fund Phase 1	To account for the financing of the widening and resurfacing of Chillicothe Road from State Route 20 to State Route 84.
Headlands Road Bridge Improvement Fund	To account for the financing of the replacement of the bridge over Shipman Pond and improving its roadway approaches.
Hopkins Road Bridge Improvement Fund	To account for the financing of the replacement of the bridge over Marsh Creek and improving its roadway approach.
Chillicothe Road Widening & Resurfacing Fund Phase 2	To account for the financing of the widening and resurfacing Chillicothe Road from King Memorial Road to Fairlawn Avenue.

CITY OF MENTOR, OHIO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	Special Revenue Funds																		
	Street	Police Pension	Fire Pension	Fire Levy	Senior Citizens Services Levy	Community Recreation Facilities	Cemetery	Economic Development	Subdivision Street Tree	Street Lighting	Court Computer	Court Special Projects	Enforcement and Education	Court Probation Services	Indigent Driver Alcohol Treatment	Law Enforcement Trust	Police Canine	Seat Belt Grant	
ASSETS																			
Cash and investments	\$ 1,158,565	\$ -	\$ -	\$ -	\$ 398,986	\$ 17,355	\$ 312,421	\$ 88,662	\$ 51,848	\$ 564,322	\$ 140,715	\$ 177,971	\$ 19,023	\$ 51,218	\$ 37,900	\$ 45,112	\$ 97,140	\$ 7,391	
Receivables, net	-	416,661	416,661	1,153,073	-	28,952	-	-	-	13,884	7,377	7,371	590	6,224	481	-	-	-	
Due from other funds	-	-	-	297	-	-	-	-	-	541	-	-	-	-	-	-	-	-	
Due from other governments	1,023,512	28,476	28,476	81,213	-	-	-	-	-	-	-	-	-	-	5,000	-	-	-	
TOTAL ASSETS	\$ 2,182,077	\$ 445,137	\$ 445,137	\$ 1,234,583	\$ 398,986	\$ 46,307	\$ 312,421	\$ 88,662	\$ 51,848	\$ 578,747	\$ 148,092	\$ 185,342	\$ 19,613	\$ 57,442	\$ 43,381	\$ 45,112	\$ 97,140	\$ 7,391	
LIABILITIES																			
Accounts payable	\$ 261,991	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,694	\$ 158,981	\$ 727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Accrued liabilities	25,573	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred revenue	677,084	445,137	445,137	1,234,583	-	-	-	-	-	14,425	-	-	-	-	5,000	-	-	-	
Total liabilities	964,648	445,137	445,137	1,234,583	-	-	-	-	2,694	173,406	727	-	-	-	5,000	-	-	-	
FUND BALANCES																			
Reserved for:																			
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Encumbrances	9,806	-	-	-	3,710	-	-	-	1,920	-	-	-	-	-	3,000	-	-	-	
Unreserved, undesignated	1,207,623	-	-	-	395,276	46,307	312,421	88,662	47,234	405,341	147,365	185,342	19,613	57,442	35,381	45,112	97,140	7,391	
Total fund balances	1,217,429	-	-	-	398,986	46,307	312,421	88,662	49,154	405,341	147,365	185,342	19,613	57,442	38,381	45,112	97,140	7,391	
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,182,077	\$ 445,137	\$ 445,137	\$ 1,234,583	\$ 398,986	\$ 46,307	\$ 312,421	\$ 88,662	\$ 51,848	\$ 578,747	\$ 148,092	\$ 185,342	\$ 19,613	\$ 57,442	\$ 43,381	\$ 45,112	\$ 97,140	\$ 7,391	

CITY OF MENTOR, OHIO
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	Special Revenue Funds																
	VOCA Victims Assistance Grant 03-04	VOCA Victims Assistance Grant 04-05	Community Development Block Grant 98-99	Community Development Block Grant 99-00	Community Development Block Grant 00-01	Community Development Block Grant 01-02	Community Development Block Grant 02-03	Community Development Block Grant 03-04	Community Development Block Grant 04-05	Forfeited Property - U.S. Department of Justice	Council Donation	Police Donation	Fire Donation	Senior Citizens Donation	Cultural Donation	Beautification Donation	IBIM Festival
ASSETS																	
Cash and investments	\$ -	\$ 2,883	\$ 88	\$ -	\$ 686	\$ 19,864	\$ 17,349	\$ -	\$ -	\$ -	\$ 357	\$ 10,112	\$ 9,214	\$ 14,222	\$ 86,330	\$ 2,147	\$ 1,263
Receivables, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	1,885	2,936	-	4,772	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ 2,883	\$ 88	\$ -	\$ 2,571	\$ 22,800	\$ 17,349	\$ -	\$ 4,772	\$ -	\$ 357	\$ 10,112	\$ 9,214	\$ 14,222	\$ 86,330	\$ 2,147	\$ 1,263
LIABILITIES																	
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,936	\$ -	\$ -	\$ 3,570	\$ -	\$ -	\$ 14	\$ 22	\$ 184	\$ 361	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	88	-	2,571	19,864	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	1,885	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	88	-	4,456	22,800	-	-	3,570	-	-	14	22	184	361	-	-
FUND BALANCES																	
Reserved for:																	
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Encumbrances	-	-	88	-	686	16,929	-	-	-	-	-	-	-	100	-	48	-
Unreserved, undesignated	-	2,883	(88)	-	(2,571)	(16,929)	17,349	-	1,202	-	357	10,098	9,192	13,938	85,969	2,099	1,263
Total fund balances	-	2,883	-	-	(1,885)	-	17,349	-	1,202	-	357	10,098	9,192	14,038	85,969	2,147	1,263
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 2,883	\$ 88	\$ -	\$ 2,571	\$ 22,800	\$ 17,349	\$ -	\$ 4,772	\$ -	\$ 357	\$ 10,112	\$ 9,214	\$ 14,222	\$ 86,330	\$ 2,147	\$ 1,263

CITY OF MENTOR, OHIO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	Debt Service										Total All Nomajor Funds
	Fund	Capital Project Funds			Capital Project Funds			Capital Project Funds			
	General	Chillicothe Road Widening & Resurfacing - Phase 1	Garfield Road Improvements	Headlands Road/Bridge Improvement	Hopkins Road/Bridge Improvement	Chillicothe Road Widening & Resurfacing - Phase 2	Total Capital Project Funds	Total Capital Project Funds	Total Capital Project Funds	Total Capital Project Funds	
ASSETS											
Cash and investments	\$ 441,048	\$ -	\$ -	\$ -	\$ 220,232	\$ 613,614	\$ 833,846	\$ 833,846	\$ 833,846	\$ 4,608,038	
Receivables, net	1,388,870	-	-	-	-	-	-	-	-	3,440,144	
Due from other funds	838	-	-	-	-	-	-	-	-	838	
Due from other governments	102,125	-	-	-	313,500	132,500	446,000	446,000	446,000	1,724,395	
TOTAL ASSETS	\$ 6,561,526	\$ 1,932,043	\$ -	\$ -	\$ 533,732	\$ 746,114	\$ 1,279,846	\$ 1,279,846	\$ 1,279,846	\$ 9,773,415	
LIABILITIES											
Accounts payable	\$ 431,480	\$ -	\$ -	\$ -	\$ 184,092	\$ -	\$ 184,092	\$ 184,092	\$ 184,092	\$ 615,572	
Accrued liabilities	25,573	-	-	-	-	-	-	-	-	25,573	
Due to other funds	22,523	-	-	-	334,319	180,738	515,057	515,057	515,057	537,580	
Deferred revenue	2,823,251	1,490,995	-	-	313,500	132,500	446,000	446,000	446,000	4,760,246	
Total liabilities	3,302,827	1,490,995	-	-	831,911	313,238	1,145,149	1,145,149	1,145,149	5,938,971	
FUND BALANCES											
Reserved for:											
Debt service	441,048	-	-	-	-	-	-	-	-	441,048	
Encumbrances	36,287	-	-	-	36,140	613,614	649,754	649,754	649,754	686,041	
Unreserved, undesignated	3,222,412	-	-	-	(334,319)	(180,738)	(515,057)	(515,057)	(515,057)	2,707,355	
Total fund balances	3,258,699	441,048	-	-	(298,179)	432,876	134,697	134,697	134,697	3,834,444	
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,561,526	\$ 1,932,043	\$ -	\$ -	\$ 533,732	\$ 746,114	\$ 1,279,846	\$ 1,279,846	\$ 1,279,846	\$ 9,773,415	

CITY OF MENTOR, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2004**

	Special Revenue Funds														
	Street	Police Pension	Fire Pension	Fire Levy	Senior Citizens Service Levy	Community Recreation Facilities	Cemetery	Economic Development	Subdivision Street Tree	Street Lighting	Court Computer	Court Special Projects	Enforcement and Education	Court Probation Services	Indigent Driver Alcohol Treatment
REVENUES															
Property taxes	\$ 374,864			\$ 1,185,696	\$ -	\$ 400,707									
Other local taxes	1,924,200	52,687	52,687	1,38,013	96,732		34,310								10,789
Intergovernmental								11,250							
Charges for services										105,805	105,798	5,451	71,178		5,446
Fines and forfeitures									27,010						
Licenses, permits, and inspections									1,065,786						
Special assessments															
Investment income	63,216														
Donations and other															
Total revenues	2,362,280	480,564	480,564	1,323,709	96,732	400,707	34,310	11,250	27,010	1,065,786	105,805	105,798	5,451	71,178	16,235
EXPENDITURES															
Current:															
General government															
Police		480,564													
Fire			480,564	1,175,861							62,682	39,335	2,191	40,836	4,818
Streets and highways															
Parks, recreations and public lands	1,682,629														
Community development					47,070				31,650						
Engineering and building								8,000							
Capital outlay	508,985			150,093							22,548	6,757			
Debt service:															
Principal retirement															
Interest and other expenditures															
Total expenditures	2,191,614	480,564	480,564	1,325,954	47,070			8,000	31,650	994,774	85,230	46,092	2,191	40,836	4,818
Excess (deficiency) of revenues over (under) expenditures	170,666			(2,245)	49,662	400,707	34,310	3,250	(4,640)	71,012	20,575	59,706	3,260	30,342	11,417
OTHER FINANCING SOURCES (USES)															
Bonds issued															
Payment to refund bond escrow agent															
Proceeds of notes															
Transfers in	67,168														
Transfers out	(667,183)					(400,000)									
Total other financing sources and uses	(600,015)					(400,000)									
NET CHANGE IN FUND BALANCES	(429,347)			(2,245)	49,662	707	34,310	3,250	(4,640)	71,012	20,575	59,706	3,260	30,342	11,417
FUND BALANCES AT BEGINNING OF YEAR	1,646,776			2,245	349,324	45,600	278,111	85,412	53,794	334,329	126,790	125,636	16,353	27,100	26,964
FUND BALANCE AT END OF YEAR	\$ 1,217,429	\$ -	\$ -	\$ -	\$ 398,986	\$ 46,307	\$ 312,421	\$ 88,662	\$ 49,154	\$ 405,341	\$ 147,365	\$ 185,342	\$ 19,613	\$ 57,442	\$ 38,381

CITY OF MENTOR, OHIO

AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES YEAR ENDED DECEMBER 31, 2004

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2004</u>
<u>Municipal Court Fund:</u>				
ASSETS:				
Cash	\$ <u>62,331</u>	\$ <u>1,086,717</u>	\$ <u>1,108,208</u>	\$ <u>40,840</u>
LIABILITIES:				
Deposits held and due to others	\$ <u>62,331</u>	\$ <u>1,086,717</u>	\$ <u>1,108,208</u>	\$ <u>40,840</u>

CITY OF MENTOR, OHIO

STREET FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Other local taxes	\$ 383,000	\$ 366,730	\$ (16,270)
Intergovernmental	1,518,000	1,810,464	292,464
Investment income	<u>48,000</u>	<u>63,216</u>	<u>15,216</u>
Total revenues	<u>1,949,000</u>	<u>2,240,410</u>	<u>291,410</u>
EXPENDITURES:			
Streets and highways	<u>2,500,590</u>	<u>2,295,566</u>	<u>205,024</u>
Excess (deficiency) of revenues over expenditures	<u>(551,590)</u>	<u>(55,156)</u>	<u>496,434</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	67,168	67,168
Transfers out	<u>(894,000)</u>	<u>(667,181)</u>	<u>226,819</u>
Total other financing sources (uses)	<u>(894,000)</u>	<u>(600,013)</u>	<u>293,987</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,445,590)	(655,169)	790,421
Adjustment for prior year encumbrances	629,549	629,549	-
FUND BALANCES, BEGINNING OF YEAR	<u>886,816</u>	<u>886,816</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 70,775</u>	<u>\$ 861,196</u>	<u>\$ 790,421</u>

CITY OF MENTOR, OHIO

POLICE PENSION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 466,476	\$ 427,877	\$ (38,599)
Intergovernmental	<u>14,088</u>	<u>52,687</u>	<u>38,599</u>
Total revenues	<u>480,564</u>	<u>480,564</u>	<u>-</u>
EXPENDITURES:			
Police	<u>480,564</u>	<u>480,564</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

FIRE PENSION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 466,476	\$ 427,877	\$ (38,599)
Intergovernmental	<u>14,088</u>	<u>52,687</u>	<u>38,599</u>
Total revenues	<u>480,564</u>	<u>480,564</u>	<u>-</u>
EXPENDITURES:			
Fire	<u>480,564</u>	<u>480,564</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

FIRE LEVY FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 1,287,284	\$ 1,185,696	\$ (101,588)
Intergovernmental	<u>64,148</u>	<u>138,013</u>	<u>73,865</u>
Total revenues	<u>1,351,432</u>	<u>1,323,709</u>	<u>(27,723)</u>
EXPENDITURES:			
Fire:			
Employee compensation	1,162,345	1,162,345	-
Other	<u>163,609</u>	<u>163,609</u>	<u>-</u>
Total expenditure	<u>1,325,954</u>	<u>1,325,954</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	25,478	(2,245)	(27,723)
FUND BALANCES, BEGINNING OF YEAR	<u>2,245</u>	<u>2,245</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 27,723</u>	<u>\$ -</u>	<u>\$ (27,723)</u>

CITY OF MENTOR, OHIO

SENIOR CITIZENS SERVICES LEVY FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 80,000	\$ 96,732	\$ 16,732
EXPENDITURES:			
Parks, recreation and public lands	<u>363,963</u>	<u>50,780</u>	<u>313,183</u>
Excess (deficiency) of revenues over expenditures	(283,963)	45,952	329,915
Adjustment for prior year encumbrances	1,713	1,713	-
FUND BALANCES, BEGINNING OF YEAR	<u>347,611</u>	<u>347,611</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 65,361</u>	<u>\$ 395,276</u>	<u>\$ 329,915</u>

CITY OF MENTOR, OHIO

COMMUNITY RECREATION FACILITIES FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Other local taxes	\$ 374,000	\$ 371,775	\$ (2,225)
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over expenditures	374,000	371,775	(2,225)
OTHER FINANCING USES:			
Transfers out	(400,000)	(400,000)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(26,000)	(28,225)	(2,225)
FUND BALANCES, BEGINNING OF YEAR	45,600	45,600	-
FUND BALANCES, END OF YEAR	<u>\$ 19,600</u>	<u>\$ 17,375</u>	<u>\$ (2,225)</u>

CITY OF MENTOR, OHIO

CEMETERY FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Charges for services	\$ 30,000	\$ 34,310	\$ 4,310
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over expenditures	30,000	34,310	4,310
FUND BALANCES, BEGINNING OF YEAR	<u>278,111</u>	<u>278,111</u>	-
FUND BALANCES, END OF YEAR	<u>\$ 308,111</u>	<u>\$ 312,421</u>	<u>\$ 4,310</u>

CITY OF MENTOR, OHIO

ECONOMIC DEVELOPMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Charges for services	\$ 8,000	\$ 11,250	\$ 3,250
EXPENDITURES:			
Community development	<u>90,000</u>	<u>8,000</u>	<u>82,000</u>
Excess (deficiency) of revenues over expenditures	(82,000)	3,250	85,250
FUND BALANCES, BEGINNING OF YEAR	<u>85,412</u>	<u>85,412</u>	-
FUND BALANCES, END OF YEAR	<u>\$ 3,412</u>	<u>\$ 88,662</u>	<u>\$ 85,250</u>

CITY OF MENTOR, OHIO

SUBDIVISION STREET TREE FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Licenses, permits, and inspections	\$ 10,000	\$ 27,010	\$ 17,010
EXPENDITURES:			
Parks, recreation and public lands	<u>55,655</u>	<u>33,570</u>	<u>22,085</u>
Excess (deficiency) of revenues over expenditures	(45,655)	(6,560)	39,095
Adjustment for prior year encumbrances	655	655	-
FUND BALANCES, BEGINNING OF YEAR	<u>53,139</u>	<u>53,139</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 8,139</u>	<u>\$ 47,234</u>	<u>\$ 39,095</u>

CITY OF MENTOR, OHIO

STREET LIGHTING FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Special assessments	<u>\$ 1,037,000</u>	<u>\$ 1,065,786</u>	<u>\$ 28,786</u>
EXPENDITURES:			
Streets and highways	<u>1,038,000</u>	<u>994,774</u>	<u>43,226</u>
Excess (deficiency) of revenues over expenditures	(1,000)	71,012	72,012
FUND BALANCES, BEGINNING OF YEAR	<u>334,329</u>	<u>334,329</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 333,329</u>	<u>\$ 405,341</u>	<u>\$ 72,012</u>

CITY OF MENTOR, OHIO

COURT COMPUTER FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	\$ 90,000	\$ 107,069	\$ 17,069
EXPENDITURES:			
General government	<u>150,000</u>	<u>85,230</u>	<u>64,770</u>
Excess (deficiency) of revenues over expenditures	(60,000)	21,839	81,839
FUND BALANCES, BEGINNING OF YEAR	<u>118,149</u>	<u>118,149</u>	-
FUND BALANCES, END OF YEAR	<u>\$ 58,149</u>	<u>\$ 139,988</u>	<u>\$ 81,839</u>

CITY OF MENTOR, OHIO

COURT SPECIAL PROJECTS FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	\$ 102,000	\$ 107,034	\$ 5,034
EXPENDITURES:			
General government	200,000	46,091	153,909
Excess (deficiency) of revenues over expenditures	(98,000)	60,943	158,943
FUND BALANCES, BEGINNING OF YEAR	117,028	117,028	-
FUND BALANCES, END OF YEAR	<u>\$ 19,028</u>	<u>\$ 177,971</u>	<u>\$ 158,943</u>

CITY OF MENTOR, OHIO

ENFORCEMENT AND EDUCATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	\$ 5,000	\$ 5,459	\$ 459
EXPENDITURES:			
Police	<u>18,000</u>	<u>2,191</u>	<u>15,809</u>
Excess (deficiency) of revenues over expenditures	(13,000)	3,268	16,268
FUND BALANCES, BEGINNING OF YEAR	<u>15,755</u>	<u>15,755</u>	-
FUND BALANCES, END OF YEAR	<u>\$ 2,755</u>	<u>\$ 19,023</u>	<u>\$ 16,268</u>

CITY OF MENTOR, OHIO

COURT PROBATION SERVICES FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	\$ 42,000	\$ 69,488	\$ 27,488
EXPENDITURES:			
General government	<u>55,000</u>	<u>40,836</u>	<u>14,164</u>
Excess (deficiency) of revenues over expenditures	(13,000)	28,652	41,652
FUND BALANCES, BEGINNING OF YEAR	<u>22,566</u>	<u>22,566</u>	-
FUND BALANCES, END OF YEAR	<u>\$ 9,566</u>	<u>\$ 51,218</u>	<u>\$ 41,652</u>

CITY OF MENTOR, OHIO

INDIGENT DRIVER ALCOHOL TREATMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 10,000	\$ 10,788	\$ 788
Fines and forfeitures	<u>4,000</u>	<u>5,440</u>	<u>1,440</u>
Total revenues	<u>14,000</u>	<u>16,228</u>	<u>2,228</u>
EXPENDITURES:			
General government	<u>40,000</u>	<u>4,817</u>	<u>35,183</u>
Excess (deficiency) of revenues over expenditures	(26,000)	11,411	37,411
FUND BALANCES, BEGINNING OF YEAR	<u>26,489</u>	<u>26,489</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 489</u>	<u>\$ 37,900</u>	<u>\$ 37,411</u>

CITY OF MENTOR, OHIO

LAW ENFORCEMENT TRUST FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	<u>\$ 1,000</u>	<u>\$ 12,783</u>	<u>\$ 11,783</u>
EXPENDITURES:			
Police	<u>32,000</u>	<u>-</u>	<u>32,000</u>
Excess (deficiency) of revenues over expenditures	(31,000)	12,783	43,783
FUND BALANCES, BEGINNING OF YEAR	<u>32,329</u>	<u>32,329</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,329</u>	<u>\$ 45,112</u>	<u>\$ 43,783</u>

CITY OF MENTOR, OHIO

POLICE CANINE FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES:			
Police	<u>100,000</u>	<u>13,116</u>	<u>86,884</u>
Excess (deficiency) of revenues over expenditures	(100,000)	(13,116)	86,884
FUND BALANCES, BEGINNING OF YEAR	<u>110,256</u>	<u>110,256</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 10,256</u>	<u>\$ 97,140</u>	<u>\$ 86,884</u>

CITY OF MENTOR, OHIO

SEAT BELT GRANT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 1,400	\$ 1,310	\$ (90)
EXPENDITURES:			
Police	7,000	1,976	5,024
Excess (deficiency) of revenues over expenditures	(5,600)	(666)	4,934
FUND BALANCES, BEGINNING OF YEAR	8,058	8,058	-
FUND BALANCES, END OF YEAR	<u>\$ 2,458</u>	<u>\$ 7,392</u>	<u>\$ 4,934</u>

CITY OF MENTOR, OHIO

**VOCA VICTIMS ASSISTANCE GRANT 03-04 FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 YEAR ENDED DECEMBER 31, 2004**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES:			
Police	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(3,000)	(3,000)	-
FUND BALANCES, BEGINNING OF YEAR	<u>3,000</u>	<u>3,000</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

VOCA VICTIMS ASSISTANCE GRANT 04-05 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 3,000	\$ 3,000	\$ -
EXPENDITURES:			
Police	<u>3,000</u>	<u>117</u>	<u>2,883</u>
Excess (deficiency) of revenues over expenditures	-	2,883	2,883
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 2,883</u>	<u>\$ 2,883</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 98-99 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 111	\$ 111	\$ -
EXPENDITURES:			
Community development	199	199	-
Excess (deficiency) of revenues over expenditures	(88)	(88)	-
OTHER FINANCING SOURCES (USES):			
Advances in	88	88	-
Advances out	(199)	(199)	-
Total other financing sources (uses)	(111)	(111)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(199)	(199)	-
Adjustment for prior year encumbrances	199	199	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 99-00 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 1,948	\$ 1,948	\$ -
EXPENDITURES:			
Community development	11,442	11,442	-
Excess (deficiency) of revenues over expenditures	(9,494)	(9,494)	-
OTHER FINANCING (USES):			
Advances out	(1,924)	(1,924)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(11,418)	(11,418)	-
Adjustment for prior year encumbrances	11,418	11,418	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 00-01 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 200	\$ 200	\$ -
EXPENDITURES:			
Community development	5,361	5,361	-
Excess (deficiency) of revenues over expenditures	(5,161)	(5,161)	-
OTHER FINANCING SOURCES (USES):			
Advances in	2,571	2,571	-
Advances out	(2,771)	(2,771)	-
Total other financing sources (uses)	(200)	(200)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,361)	(5,361)	-
Adjustment for prior year encumbrances	5,361	5,361	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 01-02 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 12,136	\$ 12,136	\$ -
EXPENDITURES:			
Community development	<u>27,769</u>	<u>27,769</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(15,633)	(15,633)	-
OTHER FINANCING SOURCES (USES):			
Advances in	19,864	19,864	-
Advances out	<u>(9,125)</u>	<u>(9,125)</u>	<u>-</u>
Total other financing sources (uses)	<u>10,739</u>	<u>10,739</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(4,894)	(4,894)	-
Adjustment for prior year encumbrances	4,894	4,894	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 02-03 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 10,578	\$ 10,578	\$ -
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over expenditures	10,578	10,578	-
FUND BALANCES, BEGINNING OF YEAR	<u>6,770</u>	<u>6,770</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 17,348</u>	<u>\$ 17,348</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 03-04 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 219,852	\$ 219,852	\$ -
EXPENDITURES:			
Community development	<u>219,852</u>	<u>219,852</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 04-05 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

FORFEITED PROPERTY - U.S. DEPARTMENT OF JUSTICE FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Investment income	\$ 5,000	\$ 2,826	\$ (2,174)
EXPENDITURES:			
Police	<u>177,543</u>	<u>177,543</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(172,543)	(174,717)	(2,174)
Adjustment for prior year encumbrances	172,719	172,719	-
FUND BALANCES, BEGINNING OF YEAR	<u>1,998</u>	<u>1,998</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,174</u>	<u>\$ -</u>	<u>\$ (2,174)</u>

CITY OF MENTOR, OHIO

COUNCIL DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	\$ 500	\$ 600	\$ 100
EXPENDITURES:			
General government	600	516	84
Excess (deficiency) of revenues over expenditures	(100)	84	184
FUND BALANCES, BEGINNING OF YEAR	273	273	-
FUND BALANCES, END OF YEAR	<u>\$ 173</u>	<u>\$ 357</u>	<u>\$ 184</u>

CITY OF MENTOR, OHIO

POLICE DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	\$ 500	\$ 7,065	\$ 6,565
EXPENDITURES:			
Police	3,500	969	2,531
Excess (deficiency) of revenues over expenditures	(3,000)	6,096	9,096
FUND BALANCES, BEGINNING OF YEAR	4,002	4,002	-
FUND BALANCES, END OF YEAR	<u>\$ 1,002</u>	<u>\$ 10,098</u>	<u>\$ 9,096</u>

CITY OF MENTOR, OHIO

FIRE DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	\$ 1,200	\$ 6,155	\$ 4,955
EXPENDITURES:			
Fire	<u>2,500</u>	<u>568</u>	<u>1,932</u>
Excess (deficiency) of revenues over expenditures	(1,300)	5,587	6,887
FUND BALANCES, BEGINNING OF YEAR	<u>3,605</u>	<u>3,605</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,305</u>	<u>\$ 9,192</u>	<u>\$ 6,887</u>

CITY OF MENTOR, OHIO

SENIOR CITIZENS DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	\$ 2,400	\$ 3,315	\$ 915
EXPENDITURES:			
Parks, recreation and public lands	<u>12,290</u>	<u>1,647</u>	<u>10,643</u>
Excess (deficiency) of revenues over expenditures	(9,890)	1,668	11,558
Adjustment for prior year encumbrances	189	189	-
FUND BALANCES, BEGINNING OF YEAR	<u>12,081</u>	<u>12,081</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,380</u>	<u>\$ 13,938</u>	<u>\$ 11,558</u>

CITY OF MENTOR, OHIO

CULTURAL DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	\$ 17,500	\$ 21,145	\$ 3,645
EXPENDITURES:			
Parks, recreation and public lands	<u>70,000</u>	<u>10,696</u>	<u>59,304</u>
Excess (deficiency) of revenues over expenditures	(52,500)	10,449	62,949
FUND BALANCES, BEGINNING OF YEAR	<u>75,520</u>	<u>75,520</u>	-
FUND BALANCES, END OF YEAR	<u>\$ 23,020</u>	<u>\$ 85,969</u>	<u>\$ 62,949</u>

CITY OF MENTOR, OHIO

BEAUTIFICATION DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	\$ 5,000	\$ 6,710	\$ 1,710
EXPENDITURES:			
Parks, recreation and public lands	<u>6,000</u>	<u>5,787</u>	<u>213</u>
Excess (deficiency) of revenues over expenditures	(1,000)	923	1,923
FUND BALANCES, BEGINNING OF YEAR	<u>1,176</u>	<u>1,176</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 176</u>	<u>\$ 2,099</u>	<u>\$ 1,923</u>

CITY OF MENTOR, OHIO

IBIM FESTIVAL FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	\$ 70,000	\$ 70,993	\$ 993
EXPENDITURES:			
Parks, recreation and public lands	<u>70,000</u>	<u>69,730</u>	<u>270</u>
Excess (deficiency) of revenues over expenditures	-	1,263	1,263
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 1,263</u>	<u>\$ 1,263</u>

CITY OF MENTOR, OHIO

GENERAL OBLIGATION BOND RETIREMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 1,854,132	\$ 1,854,132	\$ -
Intergovernmental	<u>232,408</u>	<u>232,408</u>	<u>-</u>
Total revenues	<u>2,086,540</u>	<u>2,086,540</u>	<u>-</u>
EXPENDITURES:			
Debt service:			
Principal retirement	1,218,680	1,218,680	-
Interest and other charges	1,017,112	1,017,112	-
Bond issuance costs	<u>79,843</u>	<u>79,843</u>	<u>-</u>
Total expenditures	<u>2,315,635</u>	<u>2,315,635</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(229,095)</u>	<u>(229,095)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Bond refunding proceeds	5,867,436	5,867,436	-
Bond refund escrow payment	(5,771,080)	(5,771,080)	-
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total other financing sources (uses)	<u>496,356</u>	<u>496,356</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	267,261	267,261	-
FUND BALANCES, BEGINNING OF YEAR	<u>173,787</u>	<u>173,787</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 441,048</u>	<u>\$ 441,048</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

SPECIAL ASSESSMENT BOND RETIREMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	Final Budget	Actual	Variance - Positive (Negative)
REVENUES:			
Special assessments	\$ 1,270,784	\$ 1,270,784	\$ -
EXPENDITURES:			
Debt service:			
Principal retirement	781,320	781,320	-
Interest and other charges	587,907	587,907	-
Total expenditures	1,369,227	1,369,227	-
Excess (deficiency) of revenues over expenditures	(98,443)	(98,443)	-
OTHER FINANCING SOURCES (USES):			
Bond refunding proceeds	81,169	81,169	-
Bond refund escrow payment	(79,833)	(79,833)	-
Total other financing sources (uses)	1,336	1,336	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(97,107)	(97,107)	-
FUND BALANCES, BEGINNING OF YEAR	219,219	219,219	-
FUND BALANCES, END OF YEAR	\$ 122,112	\$ 122,112	\$ -

CITY OF MENTOR, OHIO

GARFIELD ROAD IMPROVEMENTS FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 162,381	\$ 162,381	\$ -
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over expenditures	162,381	162,381	-
OTHER FINANCING (USES):			
Advances out	(162,381)	(162,381)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

CHILLICOTHE ROAD WIDENING & RESURFACING - PHASE 1 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 8,629	\$ 8,629	\$ -
EXPENDITURES:			
Capital projects	29,754	29,754	-
Excess (deficiency) of revenues over expenditures	(21,125)	(21,125)	-
OTHER FINANCING (USES):			
Transfers out	(67,168)	(67,168)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(88,293)	(88,293)	-
Adjustment for prior year encumbrances	20,519	20,519	-
FUND BALANCES, BEGINNING OF YEAR	67,774	67,774	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -

CITY OF MENTOR, OHIO

HEADLANDS ROAD BRIDGE IMPROVEMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 275,111	\$ 275,111	\$ -
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over expenditures	<u>275,111</u>	<u>275,111</u>	-
OTHER FINANCING (USES):			
Advances out	<u>(275,111)</u>	<u>(275,111)</u>	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

HOPKINS ROAD BRIDGE IMPROVEMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES:			
Capital projects	<u>713,296</u>	<u>713,296</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(713,296)</u>	<u>(713,296)</u>	<u>-</u>
OTHER FINANCING SOURCES:			
Note proceeds	188,111	188,111	-
Transfers in	190,866	190,866	-
Advances in	<u>334,319</u>	<u>334,319</u>	<u>-</u>
Total other financing sources	<u>713,296</u>	<u>713,296</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

CHILlicoTHE ROAD WIDENING & RESURFACING - PHASE 2 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES:			
Capital projects	<u>666,993</u>	<u>666,993</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(666,993)</u>	<u>(666,993)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Note proceeds	50,000	-	50,000
Transfers in	476,315	476,315	-
Advances in	<u>180,738</u>	<u>180,738</u>	<u>-</u>
Total other financing sources (uses)	<u>707,053</u>	<u>657,053</u>	<u>50,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	40,060	(9,940)	(50,000)
Adjustment for prior year encumbrances	9,940	9,940	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>

CITY OF MENTOR, OHIO

HEISLEY ROAD IMPROVEMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	<u>\$ 7,049,306</u>	<u>\$ 7,049,306</u>	<u>\$ -</u>
EXPENDITURES:			
Capital projects	<u>7,049,306</u>	<u>7,049,306</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF MENTOR, OHIO
GENERAL FUND REVENUES
(MODIFIED ACCRUAL BASIS)
LAST TEN FISCAL YEARS

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
REVENUES:										
Property taxes	\$ 1,803,198	\$ 2,009,571	\$ 1,777,227	\$ 1,116,206	\$ 725,101	\$ 893,989	\$ 1,341,641	\$ 1,363,402	\$ 1,386,305	\$ 1,568,881
Municipal income tax	20,268,977	21,987,461	22,879,334	23,678,549	25,482,261	26,698,790	26,595,125	26,686,076	26,435,708	26,813,889
Intergovernmental	3,959,279	4,529,209	4,761,421	4,525,145	5,426,358	5,069,191	6,494,213	6,748,080	5,256,451	4,876,486
Charges for services	545,289	564,262	879,499	1,139,978	2,419,661	2,460,546	2,609,281	2,699,889	2,726,280	2,673,117
Fines and forfeitures	817,803	805,026	822,198	1,052,445	1,115,370	959,918	1,005,235	1,142,857	1,195,376	1,153,941
Licenses, permits, and inspections	981,880	1,203,748	1,130,325	1,224,835	1,254,640	1,078,703	1,141,955	1,079,367	1,099,716	1,142,216
Investment income	987,544	1,112,990	1,384,954	1,544,525	797,163	1,994,386	2,013,886	1,466,870	680,325	510,565
Donations and other	189,769	142,314	407,393	783,266	233,226	228,782	528,473	186,251	699,689	1,755,424
TOTAL REVENUES	\$ 29,553,739	\$ 32,354,581	\$ 34,042,351	\$ 35,064,949	\$ 37,453,780	\$ 39,384,305	\$ 41,729,809	\$ 41,372,792	\$ 39,479,850	\$ 40,494,519

¹ Reduction as a result of the reclassification of \$ 4,808,794 to a capital project fund

SOURCE: The City's audited financial statements

CITY OF MENTOR, OHIO
GENERAL FUND EXPENDITURES
(MODIFIED ACCRUAL BASIS)
LAST TEN FISCAL YEARS

	1995	1996	1997	1998	1999	2000 ¹	2001	2002	2003	2004
EXPENDITURES:										
General government	\$ 4,015,374	\$ 4,652,006	\$ 5,653,773	\$ 5,544,266	\$ 5,518,315	\$ 5,757,072	\$ 6,056,376	\$ 6,523,127	\$ 7,254,548	\$ 6,700,502
Security of persons and property	10,388,613	10,386,846	11,912,303	12,879,996	12,603,249	-	-	-	-	-
Police	-	-	-	-	-	7,373,121	7,837,997	8,414,230	8,904,309	9,448,701
Fire	-	-	-	-	-	5,790,790	6,141,090	6,484,760	6,922,959	7,261,000
Streets and highways	5,156,436	6,048,316	5,605,355	8,530,944	5,689,159	5,336,046	6,461,918	5,795,672	6,765,589	6,522,918
Public health and welfare	528,389	580,960	635,431	652,353	-	-	-	-	-	-
Parks, recreation and public lands	2,942,670	3,191,377	3,907,537	7,281,462	5,228,690	5,635,932	6,141,941	6,369,788	5,893,284	6,261,937
Community development	726,646	727,056	744,314	787,661	811,413	855,607	918,463	965,387	1,046,266	1,104,509
Engineering and building	2,080,214	2,324,131	2,612,744	3,150,419	1,680,656	1,700,348	1,916,517	1,920,058	1,766,664	1,666,248
Capital outlay	-	-	-	-	4,033,695	3,585,057	5,990,773	5,661,195	3,609,529.2	2,345,369
Debt Service - Principal retirement	-	-	-	-	-	-	10,000	10,000	10,000	10,000
TOTAL EXPENDITURES	<u>\$ 25,838,342</u>	<u>\$ 27,910,692</u>	<u>\$ 31,071,457</u>	<u>\$ 38,827,101</u>	<u>\$ 35,565,177</u>	<u>\$ 36,033,973</u>	<u>\$ 41,475,075</u>	<u>\$ 42,144,217</u>	<u>\$ 42,173,148</u>	<u>\$ 41,321,184</u>

¹ General Fund police and fire expenditures are shown separately beginning in 2001. Previously, such expenditures were classified as security of persons and property.

² Reduction as a result of a reclassification of \$ 4,808,794 to a capital project fund
 SOURCE: The City's audited financial statements

CITY OF MENTOR, OHIO

PROPERTY TAX LEVIES AND COLLECTIONS - REAL AND PUBLIC UTILITY¹ LAST TEN FISCAL YEARS

<u>Tax Year/ Collection Year</u>	<u>Current Levy</u>	<u>Current Collections</u>	<u>Current Levy Collected</u>	<u>Accumulated Delinquent Taxes</u>	<u>Collections Including Delinquencies</u>	<u>Total Collections as Percent of Current Levy</u>
1994/1995	\$ 3,901,810	\$ 3,827,738	98.1%	\$ 51,409	\$ 3,892,506	99.8%
1995/1996	3,979,176	3,924,433	98.6	41,294	4,038,822	101.5
1996/1997	4,073,145	4,040,170	99.2	51,779	4,090,227	100.4
1997/1998	4,486,018	4,394,516	98.0	90,817	4,444,559	99.1
1998/1999	4,154,785	4,070,505	98.0	61,816	4,134,128	99.5
1999/2000	4,214,185	4,136,392	98.2	66,378	4,231,557	100.4
2000/2001	4,634,608	4,522,876	97.6	111,732	4,601,515	99.3
2001/2002	4,678,297	4,545,230	97.2	147,110	4,647,946	99.4
2002/2003	4,723,775	4,610,929	97.6	107,612	4,785,800	101.3
2003/2004	5,347,501	5,234,725	97.9	78,982	5,333,773	99.7

¹ Table excludes tangible personal property tax

SOURCE: Office of the Lake County Auditor

CITY OF MENTOR, OHIO

SPECIAL ASSESSMENT COLLECTIONS¹ LAST TEN FISCAL YEARS

<u>Collection Year</u>	<u>Current Assessments Due</u>	<u>Total Collections Including Delinquencies</u>	<u>Total Collections as Percent of Current Assessments</u>	<u>Cumulative Delinquencies²</u>
1995	\$ 1,547,068	\$ 1,624,890	105.0%	\$ 153,907
1996	1,535,489	1,483,010	96.6	222,763
1997	1,419,916	1,356,376	95.5	318,975
1998	1,312,813	1,395,224	106.3	234,609
1999	1,216,785	1,250,027	102.7	272,410
2000	1,154,819	1,122,990	97.2	155,769
2001	1,088,136	1,076,875	98.9	190,128
2002	951,990	933,375	98.0	219,136
2003	1,316,582	1,235,207	93.8	298,989
2004	1,289,238	1,266,494	98.2	321,358

¹ Table prepared for Special Assessment Bond Retirement Fund only

² Includes penalty.

SOURCE: Office of the Lake County Auditor

CITY OF MENTOR, OHIO

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Tax Year/ Collection Year	Real Property		Personal Property Assessed Value ¹	Public Utilities Assessed Value ¹	Total Assessed Value
	Assessed Value ¹	Estimated Actual Value			
1994/1995	\$ 786,960,090	\$ 2,248,459,114	\$ 112,462,016	\$ 53,264,370	\$ 952,686,476
1995/1996	815,189,420	2,329,112,629	123,354,041	50,426,410	988,969,871
1996/1997	839,480,070	2,398,514,486	140,386,304	49,988,460	1,029,854,834
1997/1998	975,528,640	2,787,224,686	145,382,074	48,549,500	1,169,460,214
1998/1999	999,347,400	2,855,278,286	150,599,739	49,949,560	1,199,896,699
1999/2000	1,016,927,670	2,905,507,629	166,636,682	46,721,270	1,230,285,622
2000/2001	1,155,168,000	3,300,480,000	170,222,816	44,297,170	1,369,687,986
2001/2002	1,169,553,690	3,341,581,971	177,900,785	38,507,980	1,385,962,455
2002/2003	1,189,075,280	3,397,357,800	170,313,459	36,151,460	1,395,540,149
2003/2004	1,390,301,500	3,972,290,000	158,265,924	36,951,470	1,585,518,894

¹ The current assessed valuation is computed at approximately the following percentages of estimated true value: real property - 35%, public utility personal property - 100%, 88%, or 25% and tangible personal property - 23%

SOURCE: Office of the Lake County Auditor

CITY OF MENTOR, OHIO

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS¹ LAST TEN FISCAL YEARS

Tax Year/ Collection Year	City of Mentor			Total	Mentor Exempted Village School District ²	Lake County	Total
	General Fund	Special Revenue Funds	Debt Service Funds				
1994/1995	\$ 2.75	\$ 2.10	\$ 1.25	\$ 6.10	\$ 63.45	\$ 14.00	\$ 83.55
1995/1996	2.85	2.10	1.10	6.05	63.45	14.00	83.50
1996/1997	2.60	2.10	1.35	6.05	67.95	14.00	88.00
1997/1998	1.90	2.10	2.00	6.00	67.71	14.10	87.81
1998/1999	0.60	2.10	1.80	4.50	67.84	15.60	87.94
1999/2000	0.80	2.10	1.60	4.50	67.50	15.70	87.70
2000/2001	1.10	2.10	1.30	4.50	67.47	15.70	87.67
2001/2002	1.10	2.10	1.30	4.50	67.42	15.70	87.62
2002/2003	1.10	2.10	1.30	4.50	67.40	15.70	87.60
2003/2004	1.10	2.10	1.30	4.50	70.25	15.70	90.45

¹ Dollars of tax per \$1,000 of assessed valuation

² Includes Mentor Public Library

SOURCE: Office of the Lake County Auditor

CITY OF MENTOR, OHIO

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUATION AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

Year	Population	Assessed Value	Gross General Bond Debt	Less Balance in General Bond Retirement Fund	Net General Bond Debt	Percentage of Net General Bonded Debt to Assessed Value	Net General Bonded Debt per Capita
1995	50,058	\$ 952,686,476	\$ 7,820,840	\$ 353,310	\$ 7,467,530	0.78%	\$ 149.18
1996	50,058	988,969,871	11,942,252	301,823	11,640,429	1.18	232.54
1997	50,251	1,029,854,834	24,768,449	123,351	24,645,098	2.39	490.44
1998	50,251	1,169,460,214	23,555,672	189,732	23,365,940	2.00	464.99
1999	51,126	1,199,896,699	22,563,664	428,953	22,134,711	1.84	432.94
2000	50,278	1,230,285,622	21,531,765	516,913	21,014,852	1.71	417.97
2001	50,278	1,369,687,986	20,455,634	320,040	20,135,594	1.47	400.49
2002	50,278	1,385,962,455	19,335,015	222,000	19,113,015	1.38	380.15
2003	50,278	1,395,540,149	18,160,824	173,787	17,987,037	1.29	357.75
2004	50,278	1,585,518,894	17,147,894	441,048	16,706,846	1.05	332.29

SOURCES: Office of the Lake County Auditor
City of Mentor, Department of Community Development

CITY OF MENTOR, OHIO

COMPUTATION OF LEGAL DEBT MARGIN DECEMBER 31, 2004

Total of all City debt outstanding	\$ 26,003,111
Less special assessment debt exempt from calculation	<u>8,657,106</u>
Total (voted and unvoted) subject to 10.5% limitation	17,346,005
Less General Obligation Bond Retirement Fund Balance	<u>441,048</u>
Net indebtedness subject to 10.5% limitation	<u>\$ 16,904,957</u>
Assessed valuation of City	<u>\$ 1,585,518,894</u>
10.5% of valuation (maximum voted general obligation debt allowed)	\$ 166,479,484
Less total debt outstanding subject to 10.5% limitation	<u>16,904,957</u>
Legal 10.5% margin (voted and unvoted)	<u>\$ 149,574,527</u>
5.5% of valuation (maximum unvoted general obligation debt allowed)	\$ 87,203,539
Less total debt outstanding subject to 5.5% limitation	<u>16,904,957</u>
Legal 5.5% margin (unvoted)	<u>\$ 70,298,582</u>

CITY OF MENTOR, OHIO

COMPUTATION OF DIRECT AND OVERLAPPING DEBT DECEMBER 31, 2004

	<u>General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Mentor</u>	<u>Amount Applicable to Taxpayers of City of Mentor</u>
Direct:			
City of Mentor	\$ 17,147,894	100.00%	\$ 17,147,894
Overlapping:			
Mentor Exempted Village School District and Mentor Public Library	12,097,659	83.59	10,112,433
Lake County	<u>13,255,000</u>	25.36	<u>3,361,468</u>
Total overlapping	<u>25,352,659</u>		<u>13,473,901</u>
TOTAL	<u>\$ 42,500,553</u>		<u>\$ 30,621,795</u>

SOURCES: City of Mentor, Finance Department
 Mentor Exempted Village School District
 Office of the Lake County Auditor

CITY OF MENTOR, OHIO

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES LAST TEN FISCAL YEARS

Year	Debt Service on General Bonded Debt			General Fund Expenditures	Percentage of Tax-Supported Debt Service to General Fund Expenditures
	Principal	Interest	Total		
1995	\$ 723,218	\$ 602,685	\$ 1,325,903	\$ 26,926,391	4.92%
1996	738,587	639,333	1,377,920	28,806,222	4.78
1997	853,803	969,433	1,823,236	33,654,402	5.42
1998	1,212,777	1,435,070	2,647,847	36,628,572	7.23
1999	992,008	1,349,924	2,341,932	35,798,610	6.54
2000	1,031,899	1,283,690	2,315,589	36,033,973	6.43
2001	1,076,131	1,218,689	2,294,820	41,475,075	5.53
2002	1,120,619	1,152,524	2,273,143	42,144,217	5.39
2003	1,174,191	1,084,413	2,258,604	47,307,987	4.77
2004	1,218,680	1,096,955	2,315,635	41,321,184	5.60

SOURCE: City of Mentor, Finance Department

CITY OF MENTOR, OHIO

PROPERTY VALUE AND CONSTRUCTION LAST TEN FISCAL YEARS

Collection Year	Commercial/ Industrial Construction		Residential Construction		Assessed Value	
	Number of Permits	Value	Number of Permits	Value	Commercial ¹	Residential
1995	17	\$ 6,783,292	169	\$ 26,788,600	\$ 371,363,376	\$ 581,323,100
1996	22	13,025,000	190	33,557,135	393,025,131	595,944,740
1997	23	19,682,455	168	31,786,070	422,283,634	607,571,200
1998	22	21,133,600	151	28,194,085	445,204,154	724,256,060
1999	28	32,508,000	125	25,405,985	466,720,129	733,176,570
2000	21	21,310,000	93	18,462,180	483,231,162	747,054,460
2001	17	25,337,931	86	18,356,344	531,734,976	837,953,010
2002	17	11,606,500	99	21,794,940	540,428,075	845,534,380
2003	10	12,140,928	104	21,194,829	540,799,589	854,740,560
2004	13	13,880,000	81	20,069,500	571,204,974	1,014,313,920

¹ Includes commercial, public utility, and personal property assessed value

SOURCES: Office of the Lake County Auditor
City of Mentor, Department of Building/Engineering

CITY OF MENTOR, OHIO

PRINCIPAL TAXPAYERS DECEMBER 31, 2004

	<u>Real Property 2004 Assessed Valuation</u>	<u>Percentage of Total City Real Property Assessed Valuation</u>
Simon Property Group Limited Partnership	\$ 25,900,140	1.81 %
Cleveland Electric Illuminating Company	17,706,920	1.24
Ohio Bell Telephone Company	7,488,380	0.52
Consumers Ohio Water Company	7,427,290	0.52
Points East	7,013,210	0.49
Steris Corporation	6,391,840	0.45
Euclid Clinic Foundation	4,565,890	0.32
Summerville at Mentor, Inc.	4,300,780	0.30
F I Mentor Commons Limited	4,238,230	0.30
Deepwood North Company	4,086,290	0.29
First Interstate	3,929,240	0.28
Royal Appliance Manufacturing Company	<u>3,768,630</u>	<u>0.26</u>
TOTAL PRINCIPAL TAXPAYERS	<u>\$ 96,816,840</u>	<u>6.78 %</u>
TOTAL CITY REAL PROPERTY	<u>\$ 1,427,252,970</u>	

NOTE: By Ohio law, public utility personal property is taxed as real property.

SOURCE: Office of the Lake County Auditor

CITY OF MENTOR

DEMOGRAPHIC STATISTICS DECEMBER 31, 2004

	1980	1990	2000
Population	42,065	47,358	50,278
Per capita income	\$ 8,952	\$ 16,717	\$ 24,592
Number of dwelling units	14,123	17,172	19,301
Person per household	2.98	2.76	2.65
Median age (years)	29.70	33.90	38.90
Percent owner-occupied dwelling units	84.9 %	85.9 %	87.5 %
Median family income	\$ 27,003	\$ 46,589	\$ 65,322
Family income distribution			
Under \$9,999	1,376	332	191
\$10,000 to \$14,999	1,147	407	169
\$15,000 to \$24,999	4,119	1,332	864
Over \$25,000	6,015	11,387	12,999
Total families	<u>12,657</u>	<u>13,458</u>	<u>14,223</u>
Education distribution - grades/years completed			
0 to 8	6.2 %	3.2 %	1.8 %
9 to 11	12.9	10.8	9.0
12	43.1	33.0	30.0
13 to 15	18.8	30.7	24.9
16 or more	18.9	22.3	34.3
High school graduates	80.8	86.0	89.2

	1990		2000	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Residents Employment Distribution by Occupation				
Management, professional, and related	7,404	30.0%	9,882	36.1%
Service	3,531	14.3	3,051	11.1
Sales and office	7,586	30.7	7,876	28.7
Farming, fishing, and forestry	167	0.7	52	0.2
Construction, extraction, and maintenance	1,299	19.0	1,912	7.0
Production, transportation, and material moving	4,685	5.3	4,626	16.9
Total employment	<u>24,672</u>	<u>100.0%</u>	<u>27,399</u>	<u>100.0%</u>
2004 average unemployment data, unadjusted:				
	Lake County	5.4%		
	State of Ohio	6.1%		
	United States	5.5%		

SOURCES:

U.S. Census 1980, 1990, and 2000
Ohio Bureau of Employment Services

CITY OF MENTOR

TOP TWENTY EMPLOYERS DECEMBER 31, 2004

<u>Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
Mentor Public Schools	Education	960
City of Mentor	Government	886 ¹
STERIS Corporation	Manufacturing - infection prevention systems	700
Lincoln Electric Co.	Arc welding consumables	515
PCC Airfoil - Mentor	Investments casting manufacturer	480
Sears Roebuck & Co.	Retail sales	375
Deepwood Industries, Inc.	Social services	355
Mag-Nif, Inc.	Automation - banks, games	350
SourceOne Healthcare Technologies	Imaging equipment distributor	300
Super K-Mart Center	Discount retail center	300
Wal-Mart	Discount retail center	300
Dillard's	Retail sales	280
Royal Plastics, Inc.	Plastic injection molding	280
Wiseco Piston Co.	Hi-performance piston manufacturer	270
Classic-Chevrolet	Automobile dealership	255
Kaufmann's	Retail sales	250
J C Penney Co.	Retail sales	250
The News-Herald	Publishing	250
Worthington Precision Metals	Precision machined components	250
Brennan Maintenance, Inc.	Commercial/residential cleaning	240

¹ Including all part-time and seasonal employees.

SOURCE: City of Mentor, Department of Community Development

CITY OF MENTOR

OTHER STATISTICS DECEMBER 31, 2004

Date of incorporation	December 18, 1963
Form of government	Council-Manager
Population, 2000 census	50,278
Area (square miles)	27.91
Miles of streets	227.6
Number of street lights	5,209
Number of City employees	
Regular full-time	371
Part-time and temporary	515
Number of stations	5
Number of firefighters and officers	70 ¹
Police protection	
Number of stations	1
Number of policemen and officers	81
Sewers	
Miles of storm sewers	181.9
Miles of sanitary sewers	243
Parks and recreation	
Number of parks	11
Number of pools	3
Number of ice rinks	2
Number of community centers	7
Number of tennis courts	17
Number of baseball diamonds	19
Number of soccer fields	12
Number of basketball courts	5

¹Excluding part-time firefighters

SOURCES:

City of Mentor, Department of Building/Engineering
City of Mentor, Department of Public Works
City of Mentor, Department of Parks, Recreation and Public Lands



**Auditor of State
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CITY OF MENTOR

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 30, 2005**